



**Innovation and entrepreneurship in the  
space between "magic" and "science"**

**European Computer Science Summit  
October 7, 2013**

**Prof. Dr. Sc. math. Dr. h.c.**

**Mark Harris**

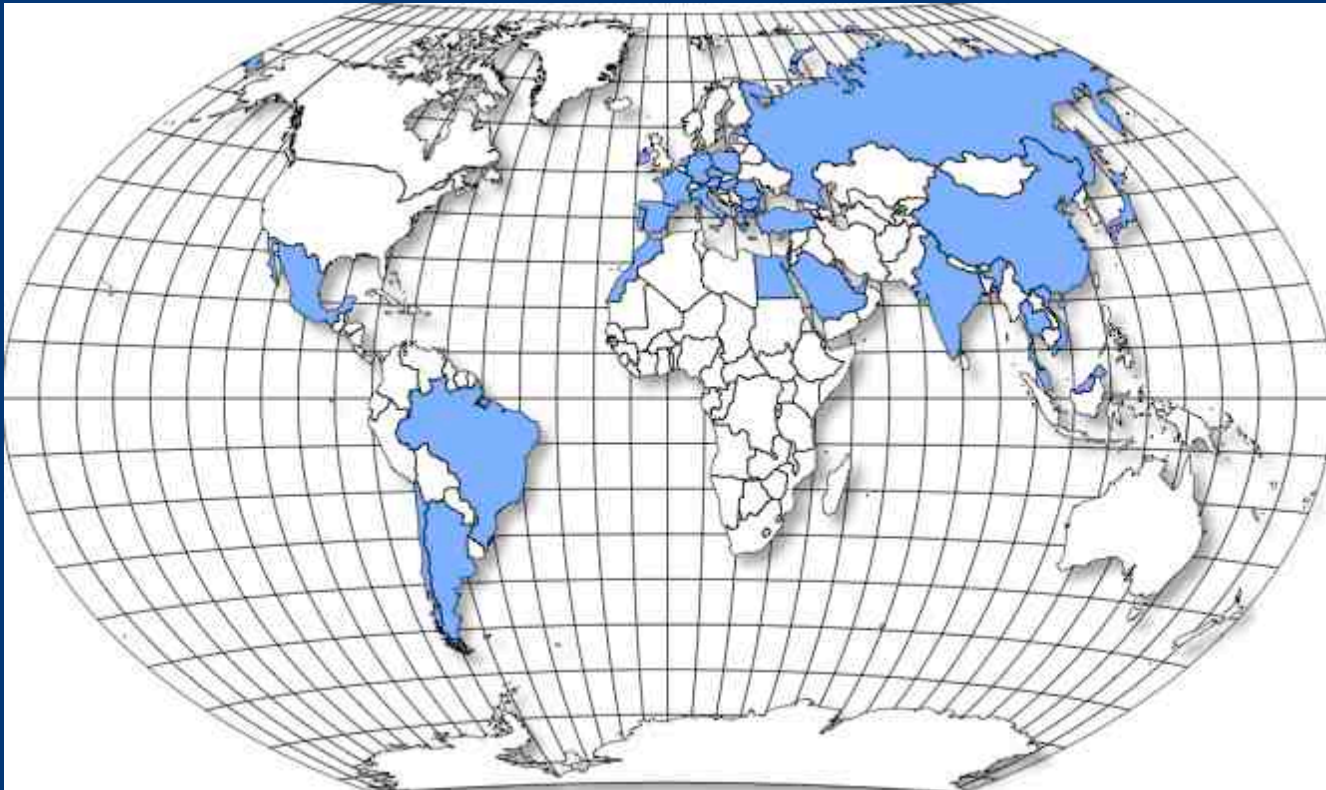
**CEO and Founder**

Adjunct Professor for Technology Entrepreneurship & Innovation

# Where I am coming from...

While at Intel, responsible globally for Intel's Entrepreneurship Programs, since 2006 brought Technology Entrepreneurship to

- 40 Countries
- 100 Technical Universities



# Prof. Dr. Mark Harris



Prof. Dr. Mark Harris is a seasoned executive with over 30 years of experience in the high-tech industry and in entrepreneurship. Prof. Harris recently retired from Intel to follow his passion in entrepreneurship and in new venture creation. While at Intel, Prof. Harris built Intel's global Technology Entrepreneurship program together with UC Berkeley California's Lester Center for Entrepreneurship. During this period Prof. Harris experienced first hand the difficulties, especially in Europe of building entrepreneurial Eco-Systems. Prof. Harris brought technology entrepreneurship curricula to over 100 technical Universities in over 40 countries.

Prof. Harris holds Masters Degrees in Computer Science and in Economics from the Technical University in Munich. He also holds a Professorship as Associated Professor for Technology Entrepreneurship and Innovation at the University Politehnica of Bucharest as well as at the University St. Kliment Ohridski of Sofia. He is also an expert for the Executive MBA Program at the Technical University of Munich and is a Senior Fellow at the International Entrepreneurship Academy Intentac. Prof. Harris is also on the executive board of Informatics Europe as well as on advisory boards of collaborating or invested companies.

In 2007 Prof. Harris received a Doctor honoris causa from the St. Kliment Ohridski University of Sofia and also received the "Blue Ribbon of Sofia" the highest recognition for academic achievement the University of Sofia awards.

In 2010 Prof. Harris received a Doctor honoris causa from the University Politehnica of Bucharest.

# Prof. Dr. Mark Harris



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# Literature:

## Accompanying Literature:

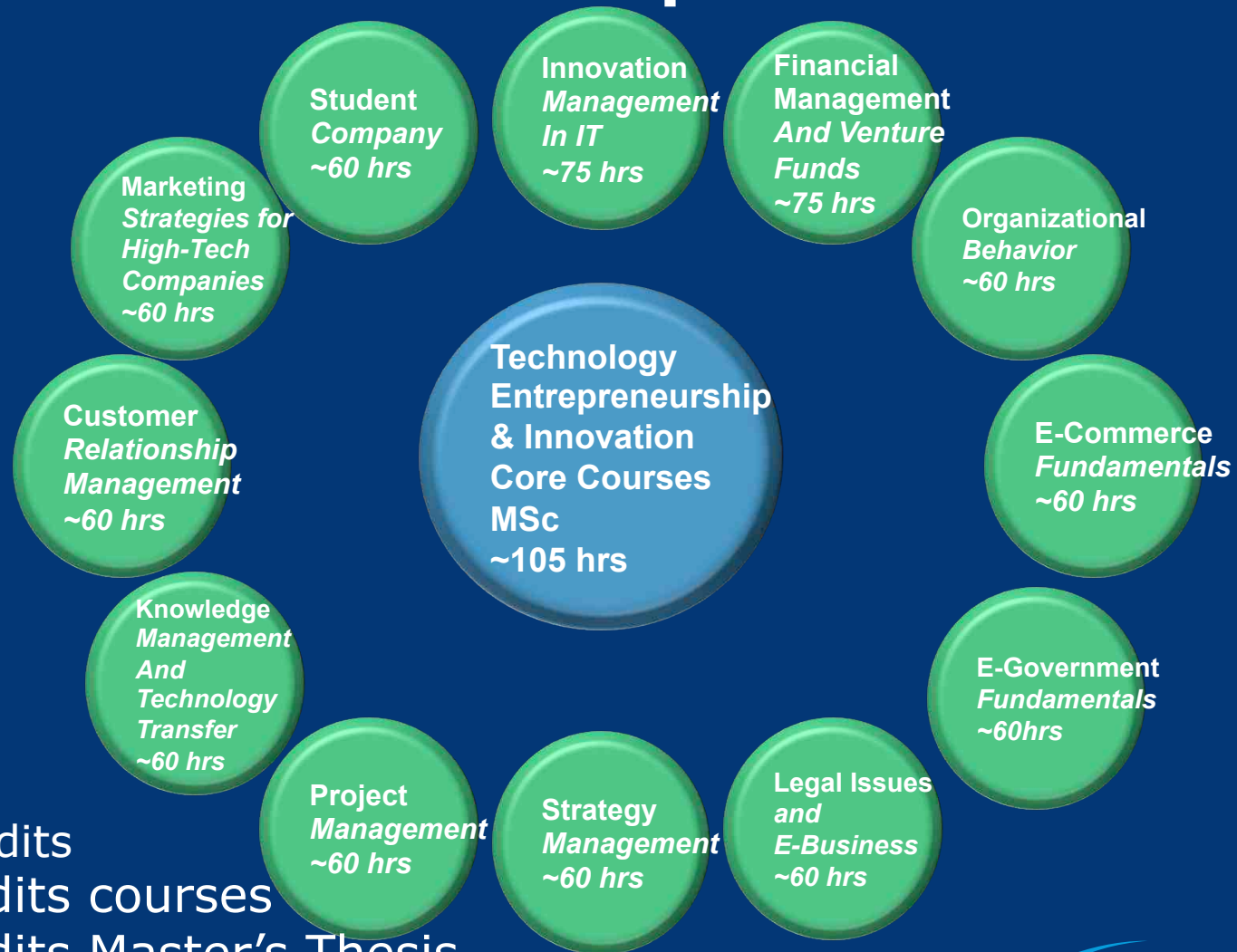
Timmons/Spinelli	<b>New Venture Creation</b>	ISBN 978-007-125438-0
Steven Gary Blank	<b>The Four Steps to the Epiphany</b>	ISBN 0-9764707-0-5
Steve Blank, Bob Dorf	The Startup Owner's Manual	ISBN 978-0-9849993-0-9
Geoffrey A. Moore	<b>Crossing the Chasm</b>	ISBN 0-88730-717-5
Clayton M. Christensen	<b>The Innovator's Dilemma</b>	ISBN 0-87584-585-1
Henry Chesbrough	<b>Open Innovation</b>	ISBN 1-57851-837-7

## **Recommended Literature:**

David J. Teece	<b>Managing Intellectual Capital</b>	ISBN 0-19-829-542-1
Annalee Saxenian	<b>Regional Advantage</b>	ISBN 0-674-75340-2

> [www.innovaventures.com](http://www.innovaventures.com) >NEWS>Blog>24 October American University in Bulgaria 3 Youtube Videos about 5 hours total.

# Technology Entrepreneurship & Innovation MSc Discipline



90 ECTS credits

- 60 credits courses
- 30 credits Master's Thesis

# Syllabus

## 1. Technology Entrepreneurship & Innovation Core Courses

### Objective

This module is the core piece of a Master's discipline in Technology Entrepreneurship & Innovation offered in a number of Universities in Europe. The course was built by Prof. Dr. Mark Harris based on course materials and books from several Professors of UC Berkeley CA, adding though many aspects and concepts that are default for the "Bay Area", but predominantly missing in Europe. The master's degree program in Technology Entrepreneurship and Innovation aims to provide additional, interdisciplinary training of specialists with bachelor or master degree in related technical specialties. It extends students' knowledge in the field of common management and entrepreneurship and in particular international standards and trains for starting a business in a technology field, provides strategies for introducing new high tech products into the market, teaches the management of the innovation process and knowledge transfer, provides strategies for sustainable development and growth.

The students who complete the program may become entrepreneurs (company external) or intrapreneurs (company internal) with deep analytical knowledge and skills in management and innovation transfer of high-tech intellectual property.

The students will be provided with a good base for research and PhD work concerning management, technology transfer and innovation in high-tech area's.

credits	Total classes	Classes Distribution	Classes per Week	Semester	course
10	105	Lectures – 60 Seminars - 45	2+1+0 2+0+2	1+2 Semester	compulsory

# Syllabus

## 1. Technology Entrepreneurship & Innovation Core Courses cont' d

### Short description

This course has been put together to provide students with a high-level overview of Entrepreneurship. You cannot teach someone to be an entrepreneur, but you can teach the skills needed to become one. This course is for both aspiring entrepreneurs as well as those simply interested in learning more about the field. It aims to inspire you and give you a perspective on what life as an entrepreneur is like. If you hope to start a company this course will help to prepare to fully-utilize the resources available and maximize your potential for success. The course also provides students perspectives by prominent entrepreneurs from organizations at various stages of development and representing a broad range of industries and topics. Entrepreneurs speak on how they created their organizations and the lessons they learned. A major element is also creating, preparing and presenting a business plan based on a technical innovation. Participating in a business plan competition is another program element.

The modules are always a lively mix of theory, insights into industry examples and personal practice of the content.

At the end of this lecture series you will have a broad understanding of entrepreneurship and how entrepreneurship may become your career of choice !

credits	Total classes	Classes Distribution	Classes per Week	Semester	course
10	105	Lectons – 60 Seminars - 45	2+1+0 2+0+2	1+2 Semester	compulsory



# Syllabus

## 1. Technology Entrepreneurship & Innovation Core Courses cont' d

### Part 1 – The Concepts of Entrepreneurship and Technology Entrepreneurship

Technology Entrepreneurship is filling a gap in entrepreneurship education. While students of business schools are educated in the principles of entrepreneurship, this is not so for the technical disciplines. Yet, the technical disciplines are where most innovation happens. Students creating new companies out of technical innovations were previously amateur entrepreneurs (lacking formal training).

This module is focused on filling this gap and to create professional entrepreneurs.

### Part 2 – Markets & Customers

It is the technical students that typically innovate and during a very fragile phase are running the new venture, but with a very limited understanding of markets and customers. They assume that a "cool" technological innovation will sell itself. Many examples out of the ".com era" show that in most cases the technical students were unable to address market and customer needs and thus failed.

### Part 3 – Innovation and Innovation Management

This module discusses the different concepts of closed and open innovation, where they have been successful and where they have failed and why. It discusses the innovator's dilemma in managing sustainable innovations within a company and what effect disruptive technologies may have. It discusses technology "S" curves and potential strategies around innovating from inside and acquiring from outside.

At the end it focuses on the dangers but also opportunities of globalization on entrepreneurship.

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# Syllabus

## 1. Technology Entrepreneurship & Innovation Core Courses cont' d

### Core topics

#### Part 1

The Entrepreneurial Process

The four Phases of Entrepreneurial Ventures

The Value of Failure

The Business Plan

Venture & Growth Capital

The Four Steps to the Epiphany(I)

#### Part 2

Crossing the Chasm

The FourSteps to the Epiphany(II)

Customer Discovery, Customer Validation, Customer Creation, Company Building

Presenting for Success

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10	105	Lectons – 60 Seminars - 45	2+1+0 2+0+2	1+2 Semester	compulsory

# Syllabus

## 1. Technology Entrepreneurship & Innovation Core Courses cont' d

Core topics

Part 3

Open Innovation

The Innovator's Dilema

Sustainable and Disruptive Technologies

Technology "S" curves

Venture Capital and Private Equity

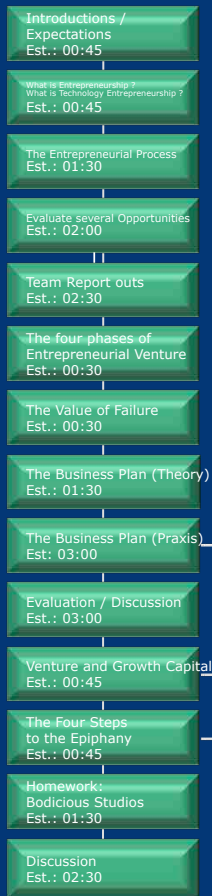
Value, Risk and Return in Private Equity

Entrepreneurship and Globalization

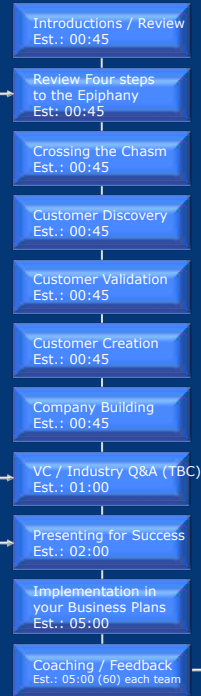
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# Technology Entrepreneurship & Innovation Core Courses

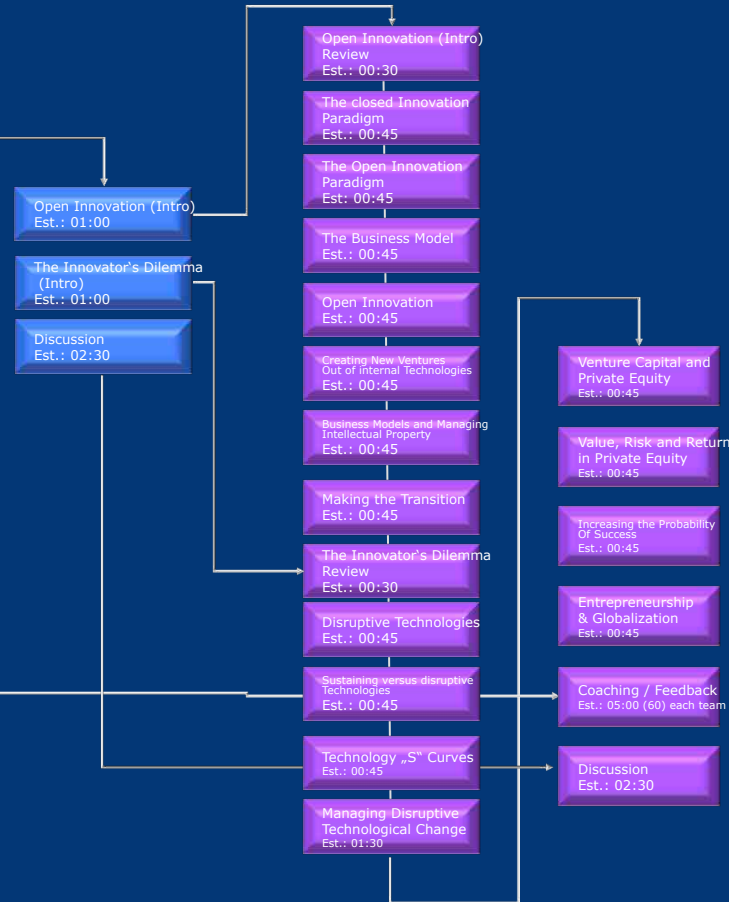
## Phase I (~20-30 hours)



## Phase II (~20-40 hours)



## Phase III (~20-40 hours)



## Phase IV Masters Thesis

# Syllabus

## 2. INNOVATION MANAGEMENT IN IT

The aim of the course "Innovation management in IT" is to present the fundamentals, stages and methods for innovation management combining both theory and practice. Innovations are the engine of the modern economy, and the companies' capacity to launch new products and services is one of the major factors for their further success and sustainable development. In the course there are investigated the modern trends in the process of innovation, and a focus is put on the Information technologies. Some of the major topics to be discussed include: global trends for open source, IP protection, networked innovations, customers innovations and others. The students will develop as well technical skills for innovation processes management and will benefit from the opportunity to meet the main engines of the knowledge based economy.

credits	Total classes	Classes Distribution	Classes per Week	Semester	course
7,5	75	Lectons – 30 Seminars – 45	2+1+2	1 Semester	compulsory

# Syllabus

## 3. FINANCIAL MANAGEMENT AND VENTURE CAPITAL FUNDS

The aim of the course “Financial management and Venture Capital Funds” is to introduce the fundamentals of the financial management of the start-up companies and to emphasize on the financial decisions concerning initial stage of the company launch. Some of the major topics discussed include: financial analyses, financial forecasts, strategic financial management, and development of strategic and operating financial plans. In the second part of the course, there will be presented the mechanisms for finding external financing, functions and roles of the major players on the financial system as banks and bank system, financial markets, VCs and financial instruments supporting high-tech companies. The students will learn more about start-up financing on IPO and financial markets, VCs funds financing, bank instruments and other financial sources.

credits	Total classes	Classes Distribution	Classes per Week	Semester	course
7,5	75	Lectures – 30 Seminars – 45	2+1+2	1 Semester	compulsory

# Syllabus

## 4. ORGANIZATIONAL BEHAVIOR

The aim of the Organizational Behavior course is to familiarize the students with the main problems of human interaction in organizations and the approaches and means of analyzing them as well as generating effective solutions. These problems manifest themselves on individual, group and organizational levels and their proper understanding requires a combination of knowledge and techniques from the subject areas of psychology, sociology and organization theory. By the end of the course the students should have a good working knowledge of concepts and applications related to motivation, group/team dynamics, leadership, and organizational culture, among others. From a methodological point of view, an important emphasis of the course is the encouragement and development of team work skills.

credits	Total classes	Classes Distribution	Classes per Week	Semester	course
5	60	Lectures – 30 Seminars - 30	2+1+1	1 Semester	elective

# Syllabus

## 5. E-COMMERCE FUNDAMENTALS

The discipline aims to discover basic knowledge and skills for the organization and principles of building and use of business processes and business models and to learn the basic standards, concepts and services, good practices of the leading companies in the field of e-commerce.

The program combines the opportunities of the ICT technologies and strategy management of the trade and business transactions. There are developed the basic business directions and theories, as well the dynamics of their development. There are presented the basics of the e-business and e-commerce, standards and technologies.

During the course, lectures and practical cases will be presented of systems for e-commerce and phases of e-commerce and its technical realization.

credits	Total classes	Classes Distribution	Classes per Week	Semester	course
5	60	Lectons – 30 Seminars - 30	2+1+1	1 Semester	elective



# Syllabus

## 6. E-GOVERNMENT FUNDAMENTALS

Lately good governance principles gain growing popularity among the publicly discussed topics. The issue about the increasing opportunities for application of current information and communication technologies in the economical, political and social sphere at national and multinational level is also up-to-date. Notwithstanding the variety of the topics under consideration, at the core of most of them stands the "management" issue and the issue about the capability of solving governance problems which affect the interest of many and different stakeholders.

The objective of the "e-Governance fundamentals" course is:

to introduce the important management and governance issues, because exactly these exercise significant influence on the social, personal and professional growth of each of us

to prove the fact that the governance of the State is not only an obligation and responsibility of the politics and the state leaders

to demonstrate the role and the place of every subject, participating in the public and social relations, the opportunities for exercising control and placing mutual expectations and requirements

to point out the opportunities for active participation and involvement of each citizen or business in the regulation of State's decisions, actions and activities

to demonstrate that the quality of the management process and the basic management functions can be significantly improved through the use of the latest technical and scientific accomplishments.

credits	Total classes	Classes Distribution	Classes per Week	Semester	course
5	60	Lectures – 30 Seminars - 30	2+1+1	1 Semester	elective

# Syllabus

## 7. LEGAL ISSUES AND E-BUSINESS

The use of information technologies in modern life brings changes and introduces new models of doing business and commerce. The electronic means of communication offer simplified and more direct ways of demand and supply, of contracting and payment via Internet. Nevertheless, the legal problems existing in the commercial transactions outside Internet remain valid in doing e-commerce via Internet. Therefore, it is necessary for the companies, as well as for the citizens to be acquainted with the specificity of contracting on Internet.

The present course aims to familiarize the students with basic legal definitions and problems related to e-commerce. It is adapted to the background of the students: Each one of the lectures shall begin with brief introduction and presentation of a basic legal definition (e.g. jurisdiction; contracting; intellectual property rights – copyright, trademarks; data protection, etc.), after that it shall focus on particular, specific for the Internet environment problems such as how to determine jurisdiction on Internet; at which moment the contract is deemed concluded; how the intellectual property rights are protected on Internet; who can have access and who can disseminate the personal data gathered on Internet, etc.). A special focus is put on the difficulties and challenges in the regulation of the commercial transactions in the Internet environment, arising mainly because of the lack of the well-known physical parameters such as place of concluding the contract, place of performance, identification of the contracting parties, etc., combined with the free access to the global market via the “net” where no state borders exist, and, therefore, there is no clearly defined jurisdiction. In that connection, during every lecture, examples, related to the regulation of e-commerce in Bulgaria and in the Member States of the EU, shall be given.

After each of the lectures, the students shall be recommended additional literature to read and cases, related to a specific topic, which shall serve as a basis for the preparation of the exercises.

The exercises aim to present to the students how in practice the e-commerce is done through discussions of real cases. Each of the students shall prepare a presentation on a topic chosen by him.

credits	Total classes	Classes Distribution	Classes per Week	Semester	course
5	60	Lectons – 30 Seminars - 30	2+1+1	1 Semester	elective

# Syllabus

## 8. STRATEGY MANAGEMENT

**Balanced Scorecard (BSC) methodology translates strategy into action. Working through the balanced scorecard process enables management to define those key perspectives that will drive the business to success, as well as to define how to measure them.**

**This course offers an intensive examination of the current state of the art of good governance and management, with attention to balanced scorecards (BSC) topics. This course is based on the premise that organizational governance is difficult. It frequently involves management one's viewpoint, as well as managing conflict and opposition from others who don't share your viewpoint. The course explores organizational governance from four perspectives and levels.**

credits	Total classes	Classes Distribution	Classes per Week	Semester	course
5	60	Lectons – 30 Seminars - 30	2+1+1	2 Semester	elective

# Syllabus

## 9. PROJECT MANAGEMENT

Project management course presents the basic knowledge and skills necessary for planning, execution and controlling of projects. The course considers the modern practices, standards and theories for project management. Students will learn more about project managers' roles, tasks and obligations, will identify different management and communication approaches, methods of planning and execution of projects as well as techniques for budgeting and risk assessment.

The program combines opportunities of the ICT and strategies for project management. It will explore lectures and practical work with Microsoft Project 200X program in order to build knowledge and skills for project management in practice.

credits	Total classes	Classes Distribution	Classes per Week	Semester	course
5	60	Lectons – 30 Seminars - 30	2+1+1	2 Semester	elective

# Syllabus

## 10. KNOWLEDGE MANAGEMENT AND TECHNOLOGY TRANSFER

The main purpose of the course “Knowledge management and technology transfer” is to introduce the basic processes, strategies and approaches for knowledge management and technology transfer. The course presents introduction in the KM and its specifics into its application in the framework of the company strategy. The students will learn more about functions and methods of KM, main purposes, processes, and stages of KM, systems and technologies for KM and KM systems architectures and implementations.

The students will learn more about knowledge transfer mechanisms, methods for innovation management and knowledge sharing, implementation of practices for KM in organizational context.

credits	Total classes	Classes Distribution	Classes per Week	Semester	course
5	60	Lectures – 30 Seminars - 30	2+1+1	2 Semester	elective

# Syllabus

## 11. CUSTOMER RELATIONSHIP MANAGEMENT

Customer relationship management comprise a pull of knowledge, practices and technologies, allowing the organization to achieve its purposes while identifying, acquiring, serving and retaining the clients. The course presents methods and techniques for acquisition and use of clients' information from various sources within and outside the company. There are discussed different points of view – demographics, historical, cultural, as well as different customer behaviors, helping the company to improve its CRM practices. Call centers and contact centers are presented and discussed as well. The purpose of the discipline is to acquire basic competences for CRM, its standards, concepts and best practices. The CRM approach is fundamental for effective technology entrepreneurship and is of big value for the start-up companies.

credits	Total classes	Classes Distribution	Classes per Week	Semester	course
5	60	Lectons – 30 Seminars - 30	2+1+1	2 Semester	elective

# Syllabus

## 12. MARKETING STRATEGIES FOR HIGH-TECHNOLOGY COMPANIES

The purpose of the course “Marketing strategies for high-technology companies” is to introduce students to the main marketing processes, strategies, and approaches for launching of high-tech products and services on a competitive market. The course presents the basic elements of the marketing mix from the point of view of business strategy. The course will enable students to identify, evaluate and develop marketing strategies for introduction of high-tech products and services, to assess environment opportunities to create sustainable competitive advantages.

Students will be introduced as well with methods for new products launching, processes of innovation and work with clients, market evaluation, pricing, distribution network development and logistics, marketing strategies and business models in IT.

credits	Total classes	Classes Distribution	Classes per Week	Semester	course
5	60	Lectons – 30 Seminars - 30	2+1+1	2 Semester	elective

# Syllabus

## 13. STUDENT COMPANY - JUNIOR ACHIEVEMENT

The purpose of the practical course "Student company" is to introduce students with the basics of entrepreneurship in order to build skills for starting their own business. In theory classes there will be presented main features for organization and management of real student company.

Students are introduced to basic management skills and organizational functions. During the classes, students register a student company – Joint Stock Company, realize real product or service and realize financial profit. The student company has about 8 members and all students have signed roles and positions. The course is part of the international initiative "Junior Achievement", and student companies compete on local and international competitions.

credits	Total classes	Classes Distribution	Classes per Week	Semester	course
5	60	Lectons – 30 Seminars - 30	2+1+1	2 Semester	elective



# Differences are Valuable

**innoVaventures – UC Berkeley come with their own view – the Silicon Valley perspective**

**Regional effects cause entrepreneurship to take its own unique form everywhere**

**Through the identification of major regional trends, and an appreciation for the success models of Silicon Valley, each participating University can chart its own course to build a successful program.**



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space between "magic" and "science"**

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**Mark Harris**

**CEO and Founder**

# Is this an innovation ?



# Is this an innovation ?



# Is this an innovation ?



# Is this an innovation ?





# What is Science ?

Science (from Latin *scientia*, meaning "knowledge") is a systematic enterprise that builds and organizes knowledge in the form of **testable explanations** and **predictions** about the universe.

In an older and closely related meaning, "science" also refers to a body of knowledge itself, of the type that can be rationally explained and **reliably applied**. A practitioner of science is known as a scientist. (Source: Wikipedia)



# Math:

$$2 + 2 = 4$$

$$2 + 2 = 4$$

....

All the time....

Testable, explainable, predictable, reliable 100% of the time.

# Physics:

Testable

Explainable

Predictable

reliable

100% of the time ?

In Physics most experiments work 95% of the time. 200 years ago, it was maybe 60% of the time. Enough not to be random, but still too complex to understand and control all of the complexities.

Even recently CERN had to do more than 1 trillion collisions to be able to prove the Higgs boson subatomic particle.

# Entrepreneurship:

One must recognize that the field of start-ups and entrepreneurship is not yet a «pure» science. Outcomes cannot yet be guaranteed.

Entrepreneurship is more like Physics 200 years ago. There is enough knowledge and expertise to be able to get satisfactory results, but still not enough to be as predictive as Mathematics.

Most expertise has been acquired through years of “experimenting” and “evaluating”.

# Innovation and Entrepreneurship

# What is innovation ?

Innovation is an invention, paired with a process and a market



invention

Entrepreneurship

process



market

# Light Bulb Hall of Fame

<i>Date</i>	<i>Inventor</i>	<i>Nationality</i>	<i>Filament</i>	<i>Atmosphere</i>
1802	Davy	English	platinum	air
1840	Grove	English	platinum	air
1840	Göbel	German	carbon	Vacuum*
1841	De Moleyns	English	platinum	acuuum
1845	Starr	American	platinum	air
			carbon	Vacuum*
1846	Greener	English	carbon	air
1848	Staite	English	platinum	air
1850	Shepard	American	carbon	vacuum
1852	Roberts	English	carbon	vacuum
1856	de Changy	French	platinum	air
1859	Farmer	American	platinum	air
1860	Swan	English	carbon	Vacuum*
1872	Lodyguine	Russian	carbon	nitrogen
1875	Woodward	Canadian	carbon	N/A
	Kosloff	Russian	carbon	nitrogen
	Konn	Russian	carbon	vacuum
1876	Fontaine	French	carbon	vacuum
1877	Maxim	American	platinum	air
1878	Sawyer	American	carbon	nitrogen
	Maxim	American	carbon	hydrocarbon
	Lane-Fox	English	platinum-iridium	air-nitrogen
	Farmer	American	carbon	nitrogen
1879	Jenkins	American	platinum	air
	Hall	American	platinum	air
	Edison	American	carbon	Vacuum*

\* Means it was patented

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# Computer Hall of Fame



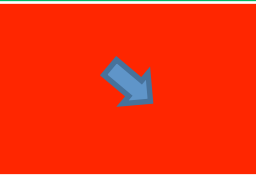





Who	What	Proposed	Finished	Commercial
Charles Babbage	Difference Engine	1822	1991/2000	No
Charles Babbage	Analytical Engine	1837	No	No
Konrad Zuse	Z1	1936	1938	No
Tommy Flowers	Colossus		1943	No
Atanasoff-Berry	ABC	1937	1942	No
Eckert/Mauchly	ENIAC	1943	1946	No
UK	EDSAC		1949	No
US GOV	UNIVAC		1950	No
Konrad Zuse	Z4	1942	1950	1950
IBM	701		1953	1953
IBM	PC		1981	1981

# Technology Entrepreneurship

## The New Way Forwards EUR

### Observations:

- EU 2020 declaration highly focussed (#1 issue) on innovation and entrepreneurship.
- Invention (ideas, patents) is good, but commercialization is not.
- Very low VC activity in EU (1/5<sup>th</sup> US), huge equity GAP
- Attitude of entrepreneurship and failure not being an option a big hindering factor.
- Need to catch-up on some 20+ years of entrepreneurship education
- Need to broaden where and how entrepreneurship is taught
- Need to get EU success rates (20%) close to US (30%).

Criteria	US	Europe	Comparison	Comment
GDP (2012)	16.82 T\$	16.56 T\$		Economies in same Ballpark
Domestic Patents (2009)	82000	135000		Europe invents +65% more (actually much more because no SW patents in Europe, CII)
VC activity (2012) (New Ventures)	26.5 B\$	3.6 B\$		Europe only a fraction of US (EVCA)
% of population that consider entrepreneurship	67%	45%		US is 50% higher
% of Population that become entrepreneurs	13%	4.5%		US is 289% higher
% of population that accept possible failure in a startup	75%	54%		US 40% higher
Entrepreneurship Education since	1980's	Early 2000's		Trying to catch up 20-25 years of Education and attitude
Breadth (# types)	8	1-2		Programs in HE and now starting in K12



# To increase/accelerate innovation:

Increase  
#inventions  
= research



invention

Entrepreneurship

**Learn this and  
get this right**

process

Address diverse  
markets



market

# What is Entrepreneurship ?

## What is Technology Entrepreneurship ?

# Entrepreneurship is:

**A process**

**Not a person**

**About BIG companies that happen to be small**

**Not about small business**

**Important to BIG business**

# What is Entrepreneurship ?

**„The pursuit of opportunity beyond the resources one currently has under control“. \***

\* Source: Professor Howard Stevenson

# Can entrepreneurship be taught?

**YES IT CAN!**

**You can teach the skills and knowledge!**

**Students can practice the entrepreneurial process**

**Students become more adept at the decision making and skills of OPPORTUNITY RECOGNITION and RESOURCE ACQUISITION**

**You can help them decide if entrepreneurship is right for them, and how they should participate**

# Components of Entrepreneurship Education

THEORY

to

PRACTICE

## Standard Business Disciplines

Finance

Economics

## Entrepreneurship Curriculum

Entrepreneurship Flagship

Venture Capital and Private Equity

Management Finance

Strategy Innovation and Change

Opportunity Recognition

Managing the New Product Development Process

Social Entrepreneurship

Life as an Entrepreneur

Special Topics in Entrepreneurship

Case Studies in Entrepreneurship

Marketing Entrepreneurial Learning Environment

“Top-Down” Law

Sales, Marketing & Business Development in a Startup

Policy – Corporate Governance

## Guided Entrepreneurship

Fellowships

## Starting Companies

Competitions

Case Writing

Incubators

Mentorship

# High Impact Ventures Professional Entrepreneurs

## Theory

Faculty

Classroom Activities  
Case Studies  
Guest Lectures  
EIRs

## Practice

Adjunct Faculty:  
Experienced Entrepreneurs

Internships  
Mentorship  
Competitions  
Incubation

Students

Technologies

Business Concepts

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# Flagship Entrepreneurship Course

SELF CONTEXT

TEAM

TRUTH

TOOLS

THEORY

Ideas

Nuts & Bolts

Voices of Experience

Student Venture Plans

1-Getting Started

2-Opportunity Recognition

3-Business Models

4-Business Models

5-Marketing Positioning

6-The Business Plan - Financial Needs

7-The Team

CUSTOMERS & COMPETITORS

INVESTORS

8-Financing Strategy  
**Innovaventures**™

15-Developing a Personal Entrepreneurial Strategy

14-Live Cases

13-Legal and IP Strategy

COLLEAGUES

12-IPO and M&A

10-Finance/  
The Deal

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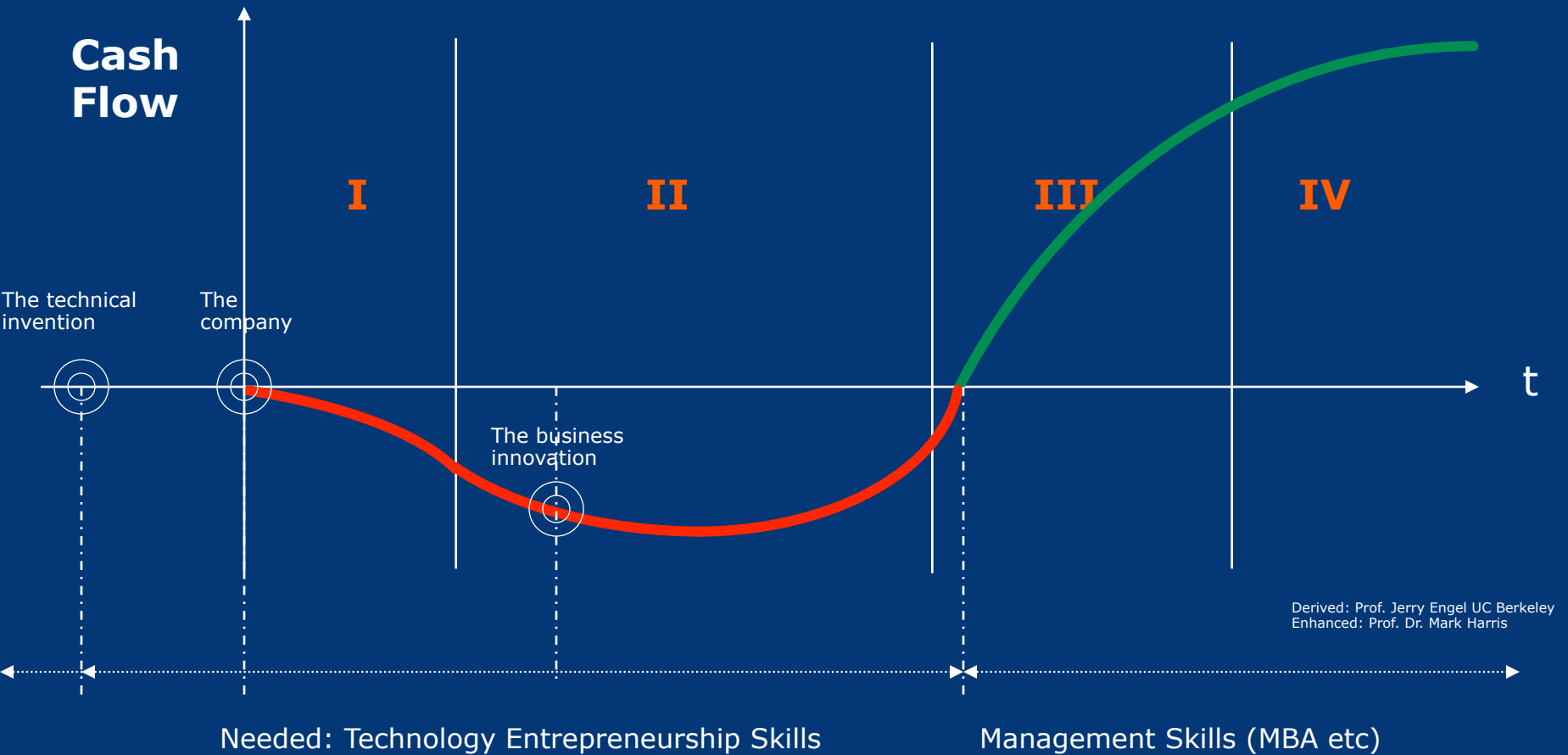
9-Venture Capital



# Entrepreneurship Bridges the Gap



# What is Technology Entrepreneurship ?



**So Technology Entrepreneurship is not only „What“, but also „When“ !!**

# The Entrepreneurial Process

# The Entrepreneurial Process

## Identify

- Need
- Solution
- 'Unfair Advantage'



*Opportunity*

## Acquire

- Technology rights
- People
- Money

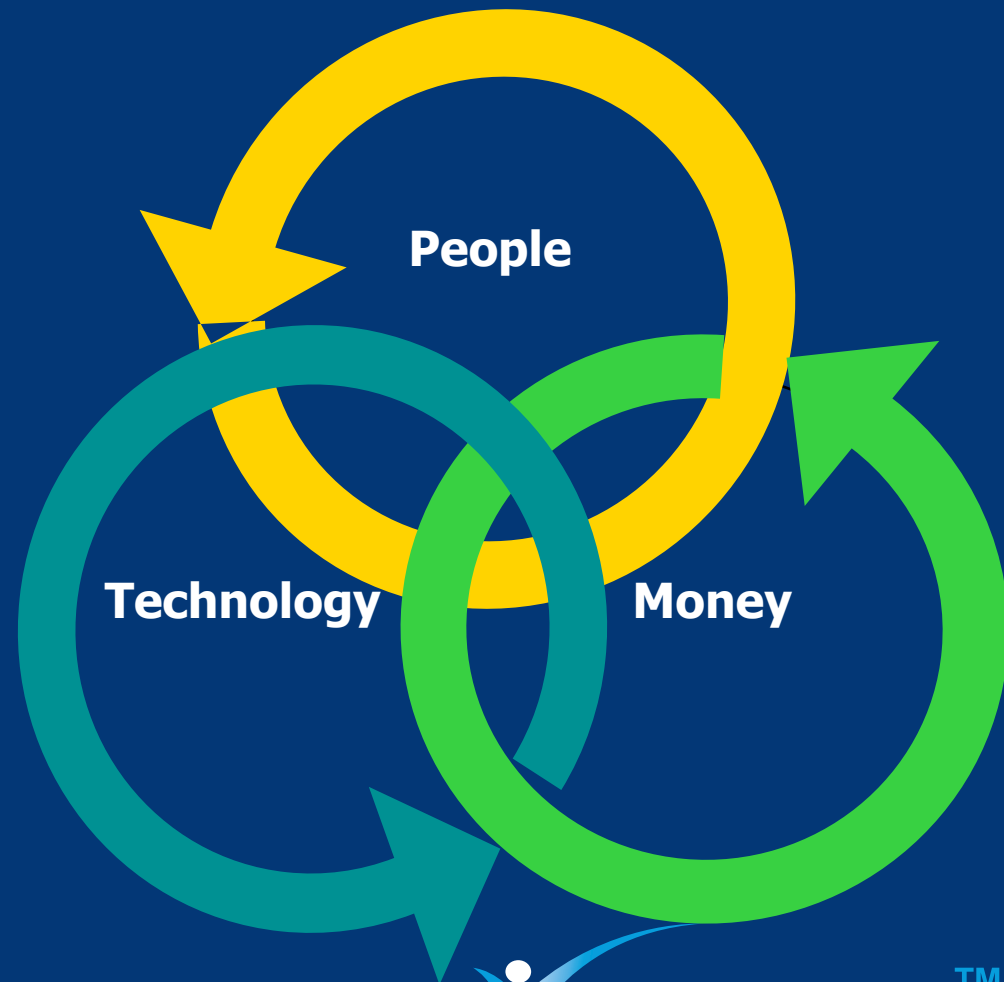


*Resources*

# The Entrepreneur's Task....

## Key Resources

- **Technology**
- **Money**
- **People**



# Who is the Professional Entrepreneur?

## Personal Entrepreneurship Styles

**Entrepreneurship is a team sport**

- **Many can play – even if they are not 'born' entrepreneurs**

**Three modes**

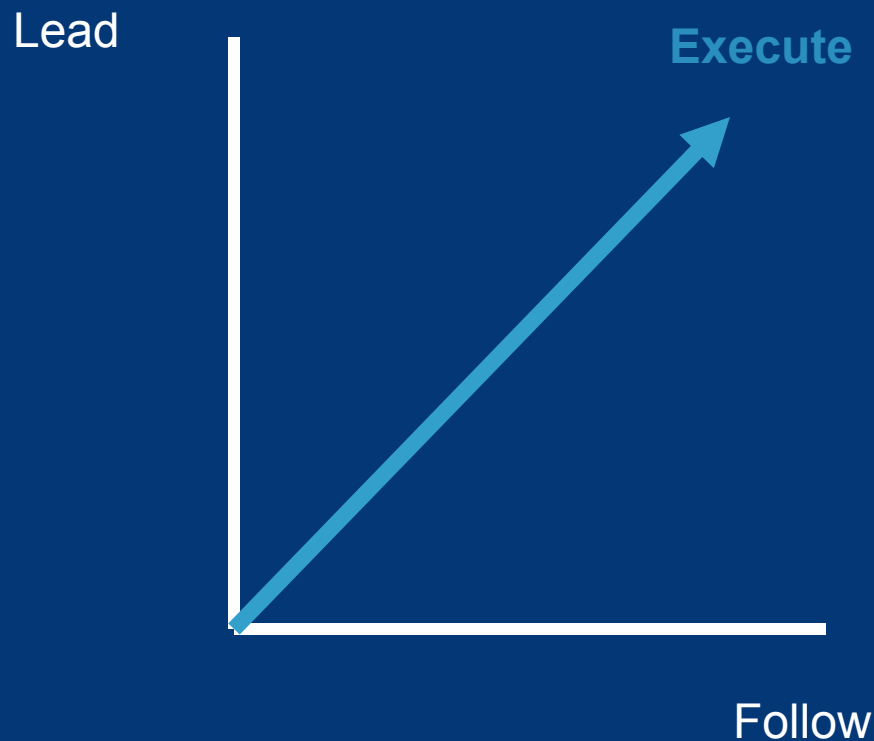
- **Lead**
- **Follow**
- **Execute**

**Three functions**

- **Create**
- **Manage**
- **Innovate**

**Which role is right for you?**

# Personal Entrepreneurship Styles: Modes: Lead or Follow

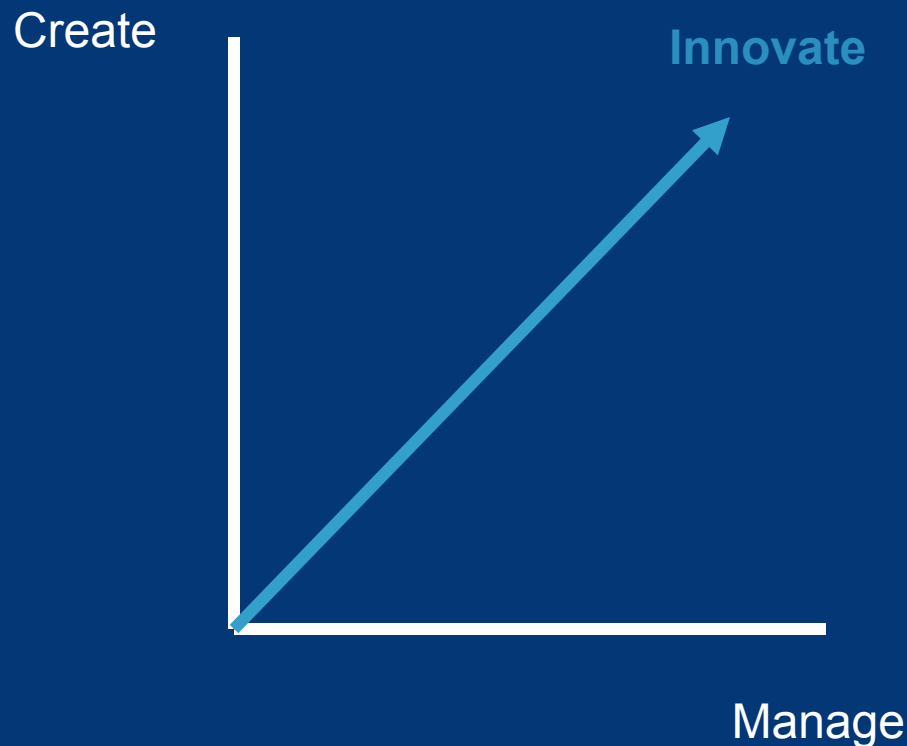


**High Performance entrepreneurial teams are :**

- Self organizing
- Flexible
- Self disciplined
- Common goal
- Common priorities
- Common values
- Enabled by shared ownership

**Same people may play different roles on different teams within the same company**

# Personal Entrepreneurship Styles Functions: Create or Manage

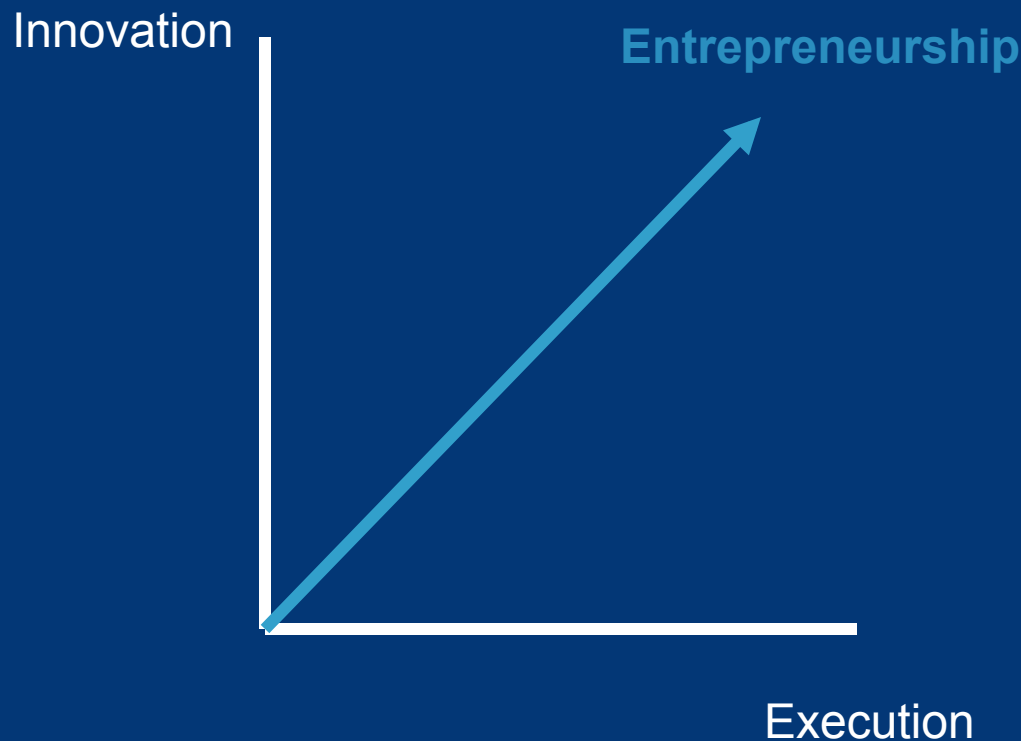


Innovation requires a combination of creativity and management – brought by a team

- Creation requires the greatest **technical competency**
- Management requires **technical affinity**
- **Different functions are best suited for different people.**
- Functions rarely are exchanged
- All collaborate in **BOTH** dimensions



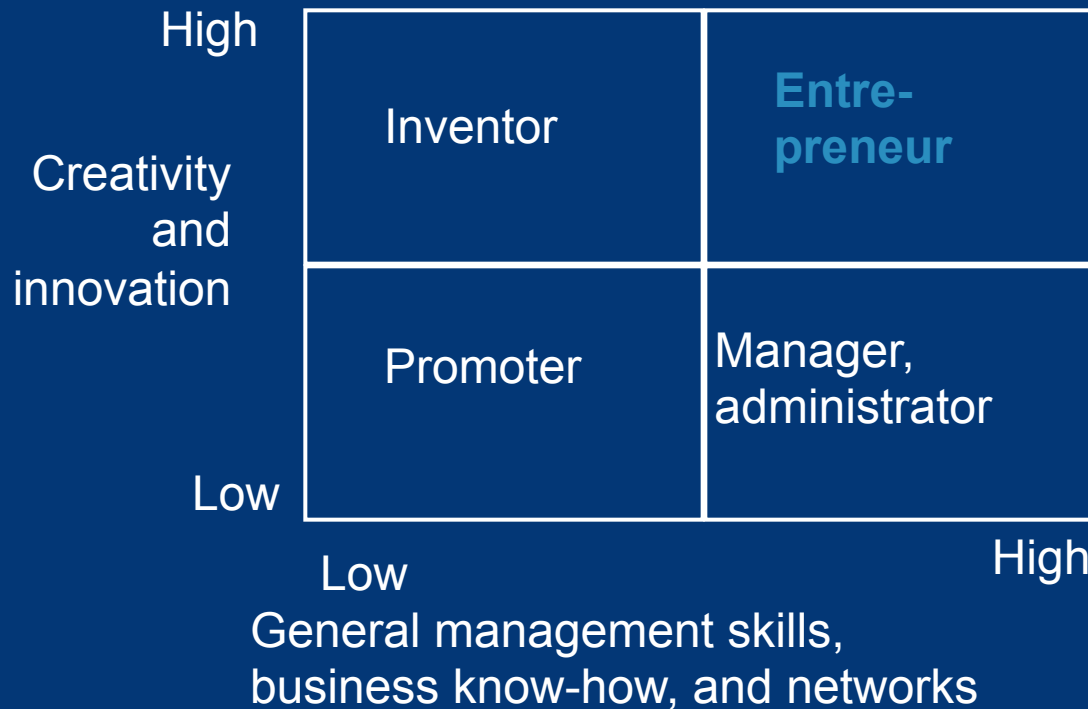
# Entrepreneurship is a Team Sport Results are What Count



## High performance technology entrepreneurship

- Is a **BLEND** of Innovation and Execution
- Requires collaboration and discipline
- It is best performed by a team
  - Alignment of incentives directly and dramatically related to the outcome

# Who is the Entrepreneur?



Source: J. Timmons, New Venture Creation, p. 25.

# The Zero-Stage CEO's Task

Define Vision  
and Concept



Build  
Team



Obtain  
Financing

“Technology”

X

People

X

Money

= Value Creation

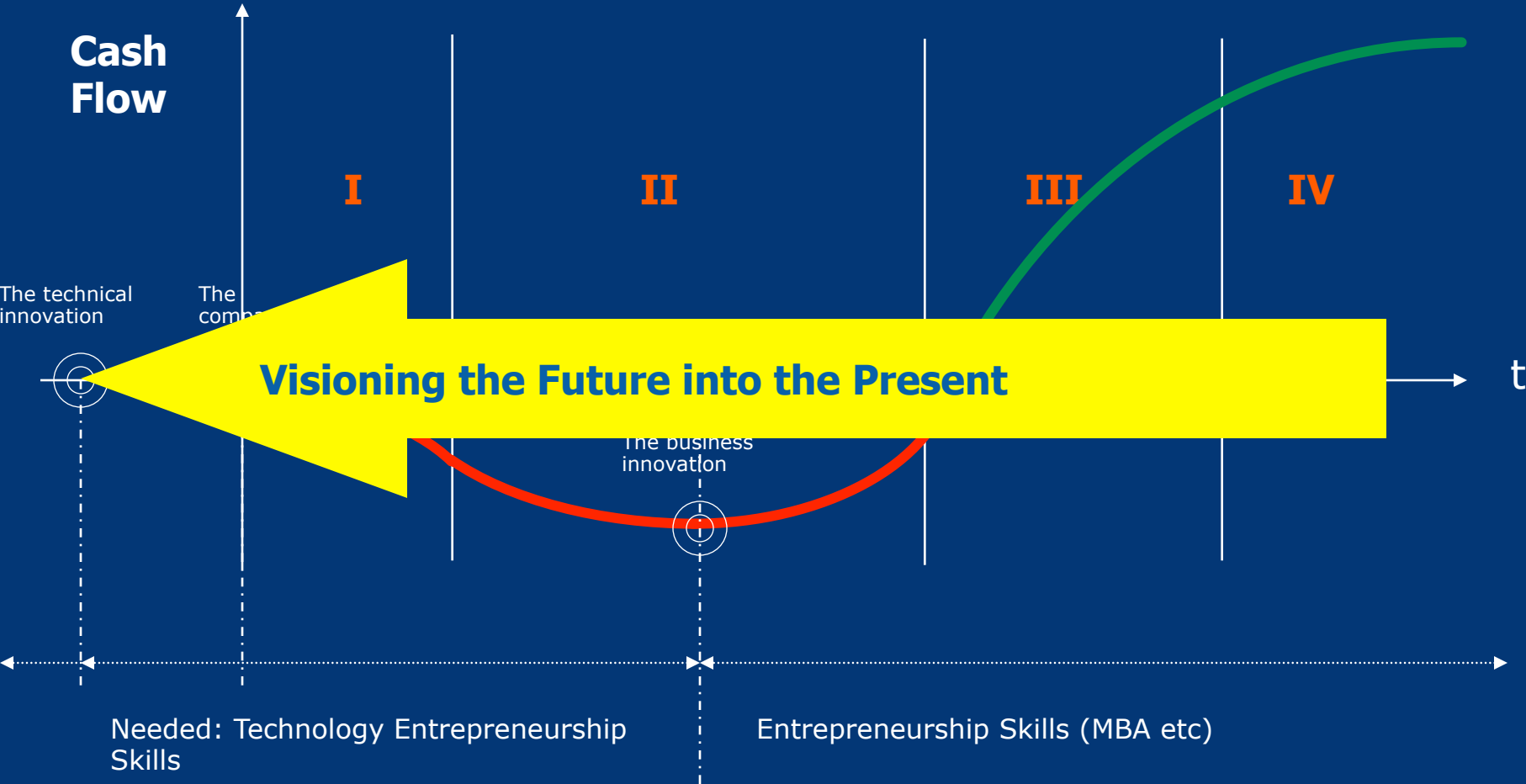
# The Importance of Teamwork

Entrepreneurship is a team sport

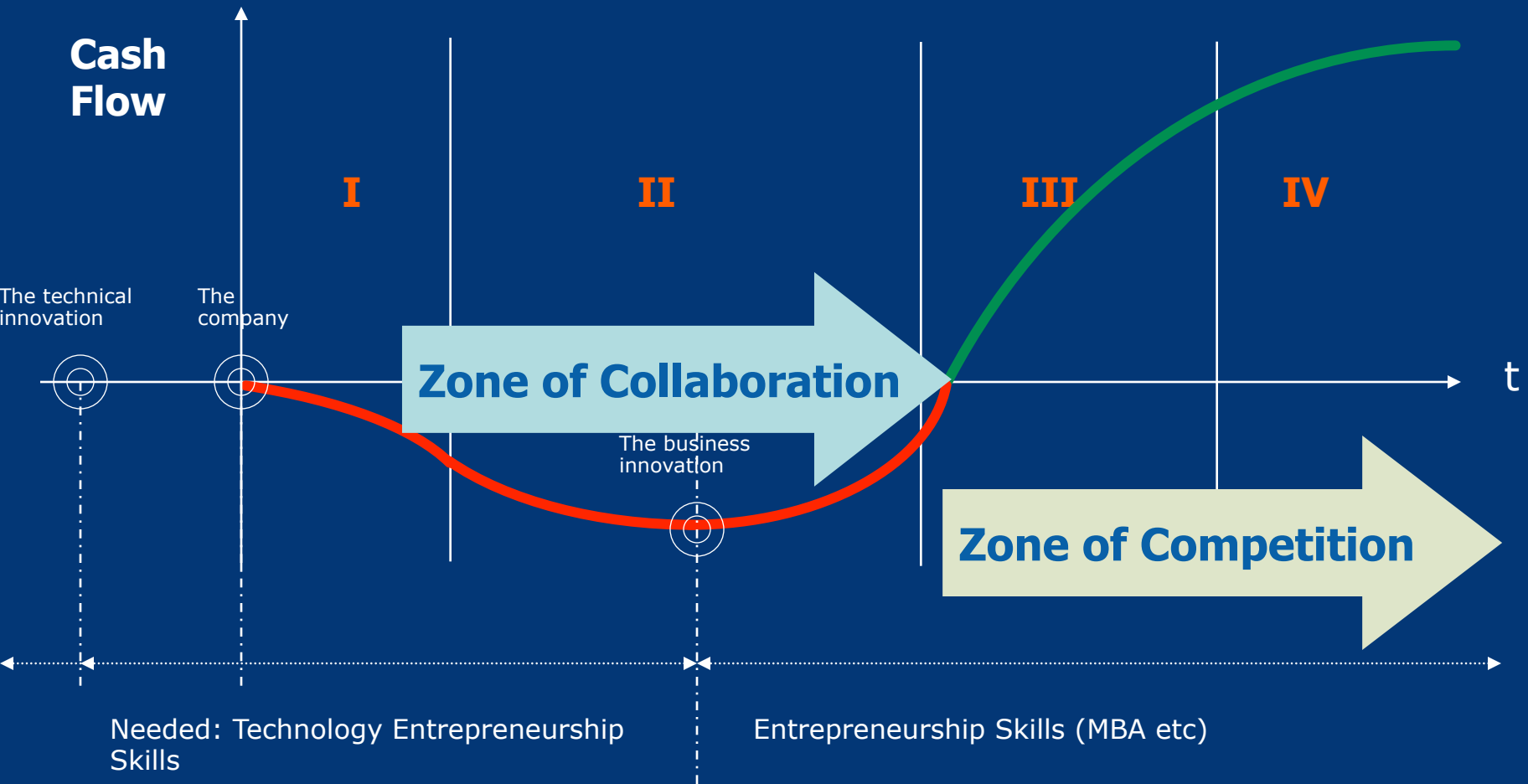


# The Professional Entrepreneur, The Entrepreneurial Venture

# The Professional Entrepreneur



# The Professional Entrepreneur



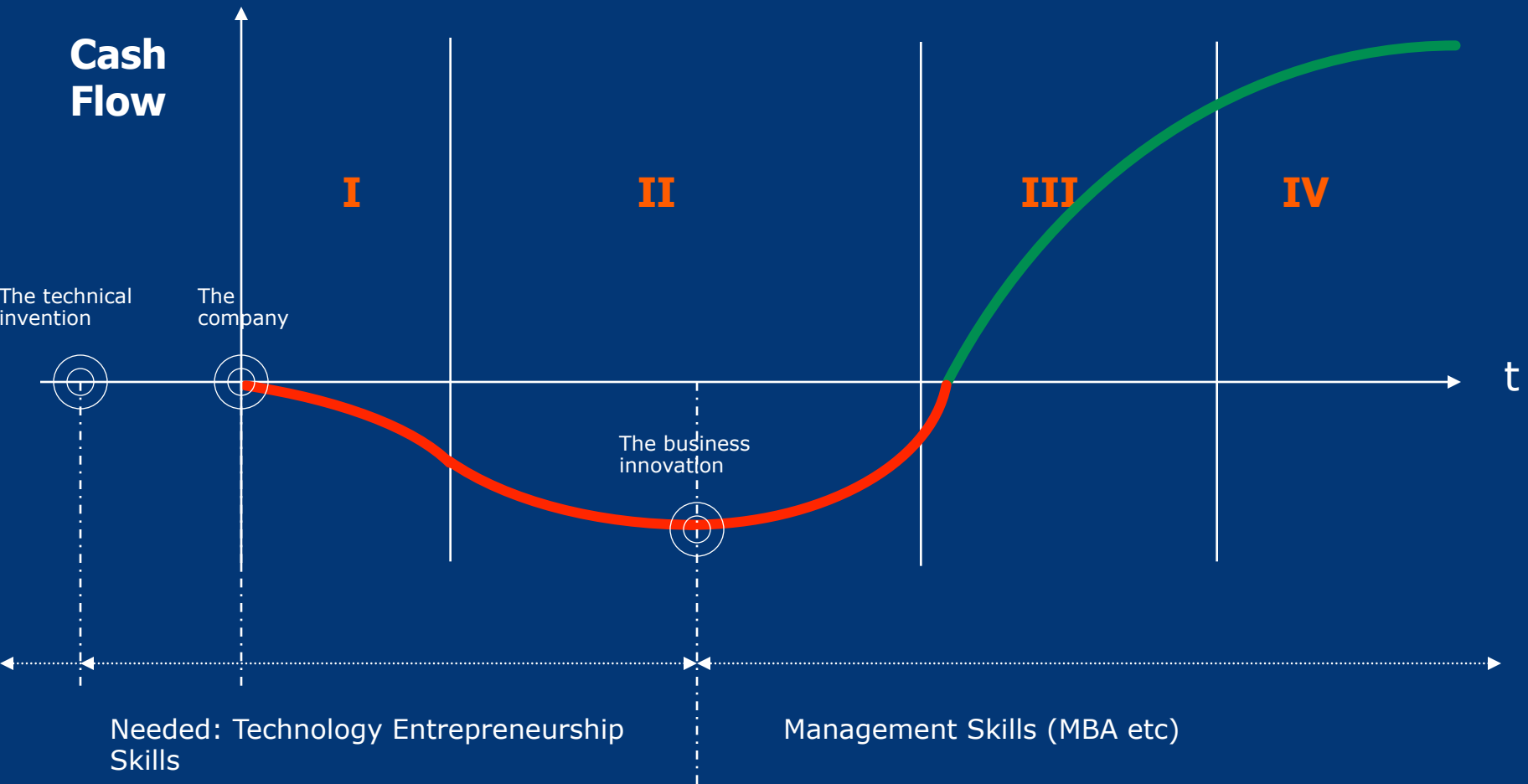
# The Entrepreneurial Venture

## FOUR PERIODS of DEVELOPMENT



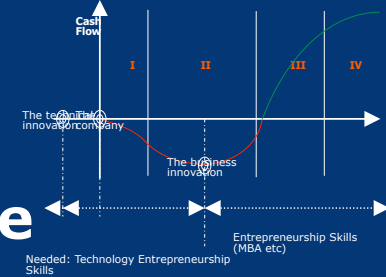
# The Entrepreneurial Venture

## FOUR PERIODS of DEVELOPMENT



# The Entrepreneurial Venture

## Attributes that characterize each Phase

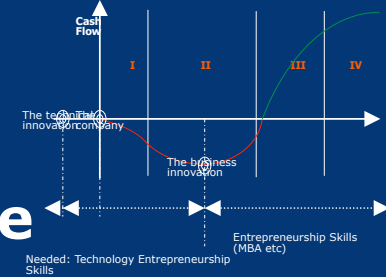


Period I: Pure Entrepreneurship	Period II: Strategic Focus	Period III: System Building	Period IV: Coporate Management
Defining the concept of the business	What business aren't we in?	Finacial Controls	Hiring „outsider“
Gathering Financial Resources	IMPLEMENTING the business we are in!	Stable division of labor	Going Public
Assembling the startup Team	Knowing better than ANYONE else:	Reporting relationship and authorities	Making acquistitions
Identifying customers	What will people pay	Developing systems of internal control	Adding the follow-on Products(s)
Analyzing the competition	How many will they buy	Formalizing the terms of a sale	Shedding those who can't keep up
Building the prototype	How to distribute	Operational systems	Formalizing the culture
Getting your first customer	How to service the customer	Production, Outsourcing Distribution, Sales Service, Warranties	Rationalizing the strategy

\*Source: Professor John Freeman  
Professor Jerry Engel  
UC Berkeley

# The Entrepreneurial Venture

## Attributes that characterize each Phase

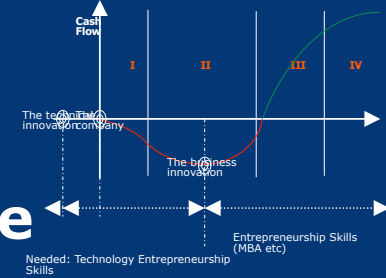


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# The Entrepreneurial Venture

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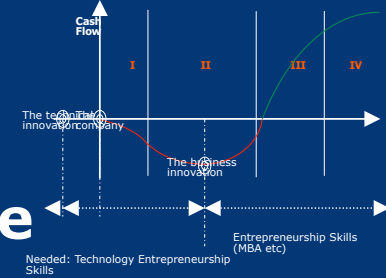


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# The Entrepreneurial Venture

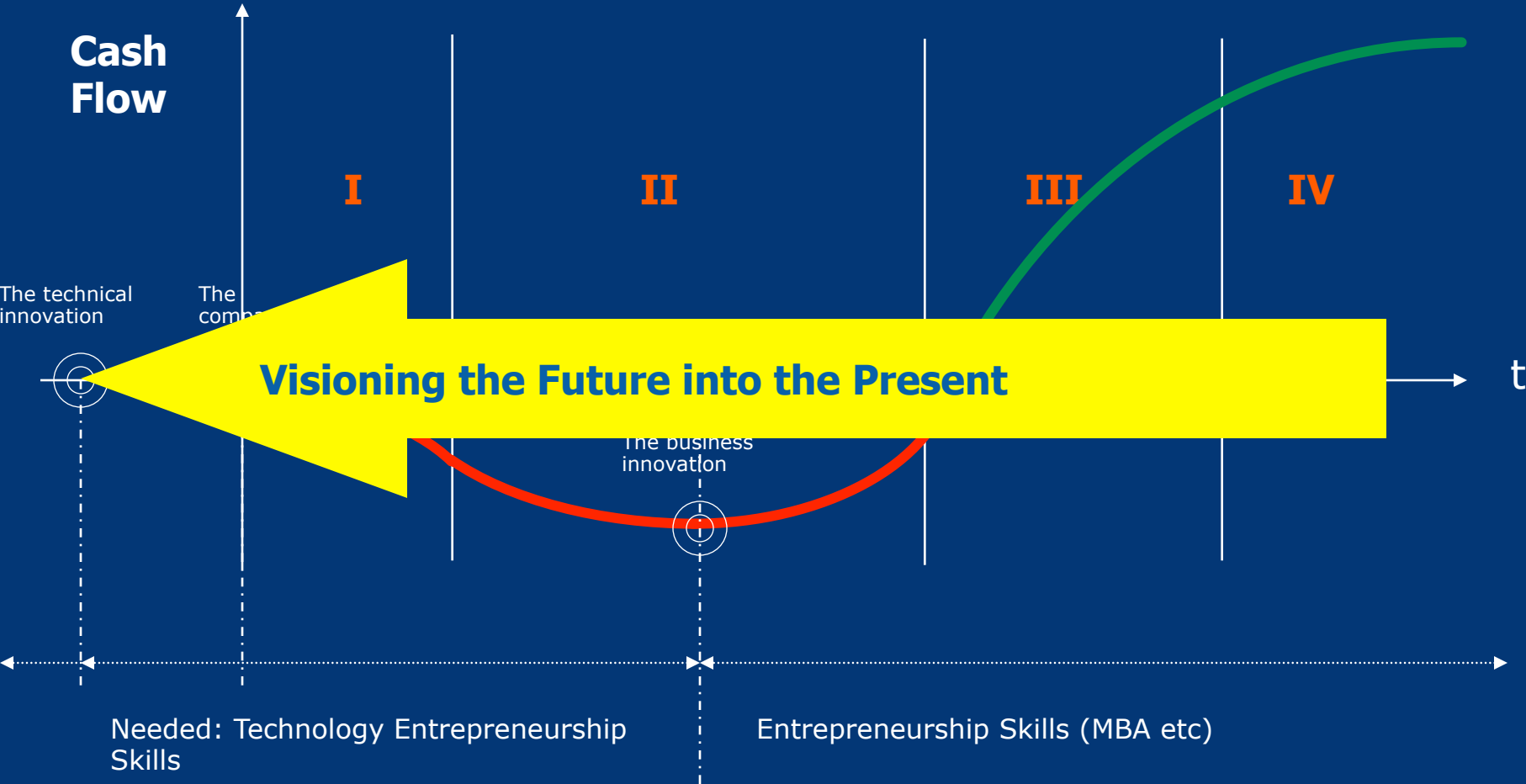
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\*Source: Professor John Freeman  
Professor Jerry Engel  
UC Berkeley

# The Professional Entrepreneur



# The Value of Failure

# The Value of Failure

**Is this an Oxymoron ??**

**Can failure be of value ?**

**Why would someone value failure ?**



# The Value of Failure

**Through failure we typically have the greatest learning.**

**We tend to evaluate our failures more than our successes.**

**Failure without learning = Loss !**

**Failure with learning = Value !**

# The Value of Failure

**Why do we see that learning so valuable ?**

**Typically VCs will want to see experience.**

**They will want to see that one is not naively going down a path that leads to the same failures as already experienced.**

# The Value of Failure

**So how do we gain experience (learning) without running into disaster ?**

**⇒ We exercise these multi-disciplinary skills in a „safe“ environment.**

**⇒ We exercise these skills while independent of that income and without the risk that failure will brandmark us for the next years.**

# The Value of Failure

⇒ **We practice being entrepreneurs while we are still studying !**

⇒ **We write business plans based on our ideas.**

⇒ **We compete against others (regionally, globally) to learn the tricks of the trade of being an entrepreneur.**

# The Value of Failure

## What is a business plan ??

# Intel (1968)

The company will engage in research, development, **and** manufacture and sales of integrated electronic structures to fulfill the needs of electronic systems manufacturers. This will include thin films, thick films, **and** components used in hybrid

and processing at a laboratory including, lapping, polishing, etching and etching, vacuum coating and testing, as well as processing and testing

photo sensitive effect devices, integrated circuits,

and subsystems commonly referred to by the phrase **"large scale integration"**

**Principal** customers for these products are expected to be the manufacturers of advanced electronic systems for communications, radar, control and data processing. It is anticipated that many of these customers will be located outside California.

- 1 page
- 3 paragraphs
- 9 sentences
- 165 words
- - 3 errors -

Today ~53+B\$ revenue  
~65% pre-tax profits

# The Business Plan

# The Business Plan

## A Metaphor for Entrepreneurship Education

1. They are obsolete as soon as completed
2. They are unreliable as predictors of future events...

So why is the Business Plan so important for Entrepreneurship Education ??

A Business Plan's content is directly applicable to every step in entrepreneurial venture development.

It is an opportunity for immersion in a simulated entrepreneurial experience.



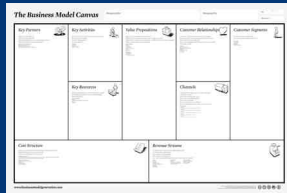
# The building blocks of your business planning pitch . . .



## Elevator Pitch

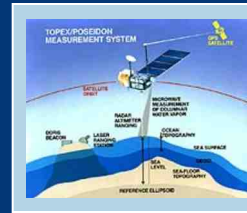
- 30-second/1 minute synopsis of your venture: core idea, market, potential, analogy, etc.

## The Business Model Canvas



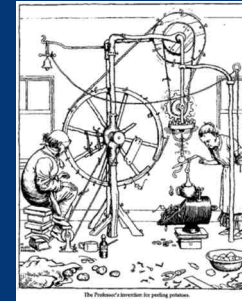
## “Chalk Talk”

- 2-10 minute summary of key venture elements
- Informal “on the fly” media: white board/flipchart/etc.



## Power Point\*

- 10-30 minute formal rehearsed presentation of your venture
- Allow >50% available time for Q&A
- Handouts/leave behinds



## Demo

- Brief demonstration of prototype/example/illustrative transaction/model/etc. that makes your venture “real” if this is feasible



## Business Plan

- 20-40 page professional explanation of your venture, with all relevant supporting analyses
- Lays out your case: why your team/why this venture/why now/why this strategy/ etc.

# Business Plan truths:

The business plan is IMPORTANT

- Preparing the plan builds the team's business vision and commitment
- The planning PROCESS never stops

Plan your work and construction of the *plan*

Use a guide/outline – modified to fit your context

How you communicate the plan is as crucial

**Who has written a plan before?**

**How many of you were happy with it?**

# Outline of a Business Plan

## ...not the 'magic'

Executive Summary (2-3)

Company/Business (4-5)

Market Analysis (1-2)

Competition/Competitive Advantage (1-2)

Marketing/Key Customers (2-3)

Technology (2-3)

Operations (1-2)

Management (1)

Financial Summary (1-2)

Funds required and uses (.5-1)

Appendices

# The Process



# Who Should Write The Business Plan?

Primary author: The CEO

- Must internalize the plan

Team Members

- Must understand their responsibilities
- Must understand the overall plan
- Validates the team's ability to work together

Input from advisors

# Who is the audience for the plan?

**1. YOU**

**2. Your team**

**3. Your advisors**

**4. Your investors**

# How do you start?

**Just start writing?**

**Create an executive summary or pitch?**

**Start with an outline from a guide?**

**Plan your activities to build your plan?**

Focus your activities/writing on the unknowns

# What a plan *must* do

**Be original**

**Present a compelling opportunity**

**Present a dedicated, passionate team that “fit”**

**Be coherent**

**Shows your work**

- **Point to supporting documents**

What is the toughest section to write?



# A Note About Supporting Documents

**Where the real work is done ?**

**Largely confidential and *behind the scenes*:**

- **Customer Development plan**
- **Product Development plan, MRDs**
- **Partnerships**
- **Hiring Plans / Key Hires / Contractors**
- **Market research / International**
- **Intellectual property details**
- **Competitive Research**
- **Agreements and Contracts**

# The Executive Summary

“A good executive summary gives me a sense of why this is an interesting venture. I look for a very clear statement of their long-term mission, an overview of the people, the technology, and the fit to the market.”

Ann Winblad

Hummer Winblad Venture Partners

**In a real scenario:  
Do this last - REALLY!**

# The Executive Summary

**It will become a stand-alone document**

**Start with a problem/solution paragraph**

**Summarize each section of the business plan**

**But, spend most time on:**

- **Product description**
- **Competitive advantages**
- **Business model & projections**
- **Management team**

**What about a Mission Statement?**

# Company Description

## Vision

**Basic product offering and problem solved**

**Markets served**

**Company history and location**

**Compelling highlights...the opportunity**

- **People/technology, achievements, trends**
- **Value Proposition/competitive advantage**

**Stage of business**

# On Pitches

**Remember what VCs are looking for**

- **Market**
- **Team**
- **Traction**

**Introduce your idea...but quickly talk about market, team, & traction**

- **Most people put team at the end...and often never get to it before the VC has to leave**

**More discussion of idea, technology, etc. can follow**

- **but the VC can then evaluate it based on the team, market, and traction**

# Pitch Details

## Wear your uniforms

- **Business cards**
  - Professionally printed...not from Laserjet
- **Dress nicely**
  - Sign of respect
  - Unless you are an Uber-geek CTO...you won't get away with jeans and a T-Shirt

## Be on time

- VC's really do have a busy schedule
- Know how much time you have and plan accordingly

## Bring key team members

- So VC can evaluate team first hand
- Have multiple people talk...we are evaluating the team

## Stand up when talking

## Practice...and know your story

- Make sure your stories match

## Show enthusiasm

# Elements of Elevator Pitch

## ...in 60 seconds or less

For \_\_\_\_\_ (customer)  
who \_\_\_\_\_ (need)  
the \_\_\_\_\_ (Product)  
is a \_\_\_\_\_ (Description)  
that \_\_\_\_\_ (Benefit)  
unlike \_\_\_\_\_ (competition)  
our Product \_\_\_\_\_ (differentiation)

# Elements of Elevator Pitch

## ...in 60 seconds or less

**What do you do?**

**What problem do you solve?**

**How are you different?**

**Why should I care?**





# Four Take Home Messages

**Guides are great, but your plan must be your own work**

**Action → Information → Unique, Rich Plan**

**Writing the plan is a process of *convergence***

**How you communicate the plan can be more important than the plan !**

# The Intel – UC Berkeley Technology Entrepreneurship Challenge (IBTEC) (The Practice)

Dedicated focus on *global technology innovation*

Truly global nature

Focus on innovation from educational institutions

Strong educational component

A feeder system of branded competitions focused on finding technology focused business plans

Powerful brand name hosts in Intel and U.C. Berkeley

# The Role of Partners

## Who can be a partner

- **Regional competitions**
- **Institutions**
  - **Must have prestige along with marketing and screening skills and a technology focus**

## The Challenge gives its partners:

- **Guaranteed seats at finals and financial support for team(s)**
- **Faculty access to event**
- **Use of the mark and marketing support**

## The Challenge gets:

- **Quality deal flow**
  - **Regional (or local) marketing**
  - **Screening services**
- **Reputation and academic quality**

# **The De-hydrated Business Plan**

**Approx. 4-10 pages**

**Covers Keypoints (similar to Exec Summary)**

**Can be prepared in a few hours**

**Not intended exclusively for fund raising**

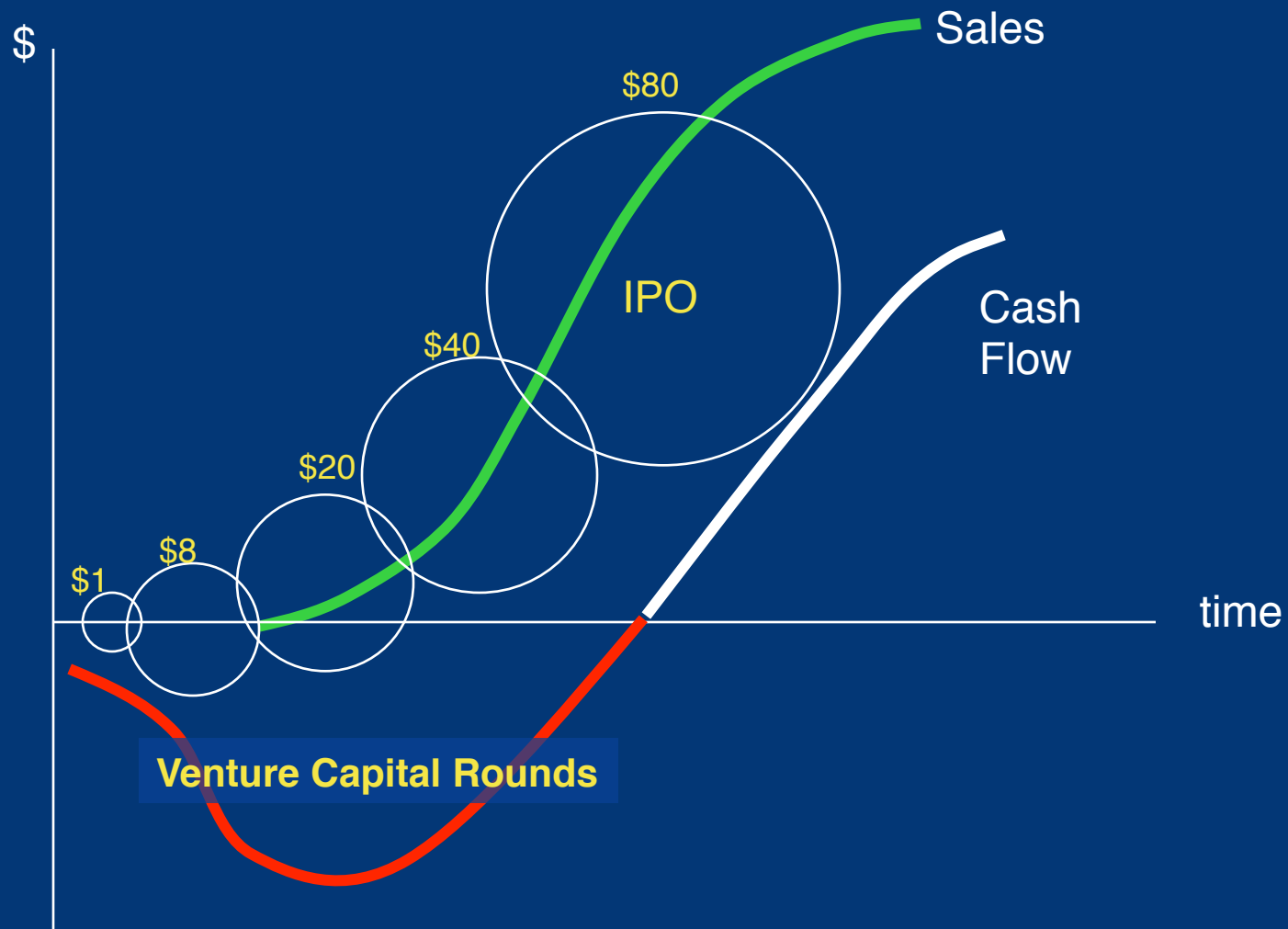
**It is a map of the battle ground, but does not have enough detail to actually conduct the battle.**

**New Venture Creation Chapter 12.**

# The Business Plan (Homework)

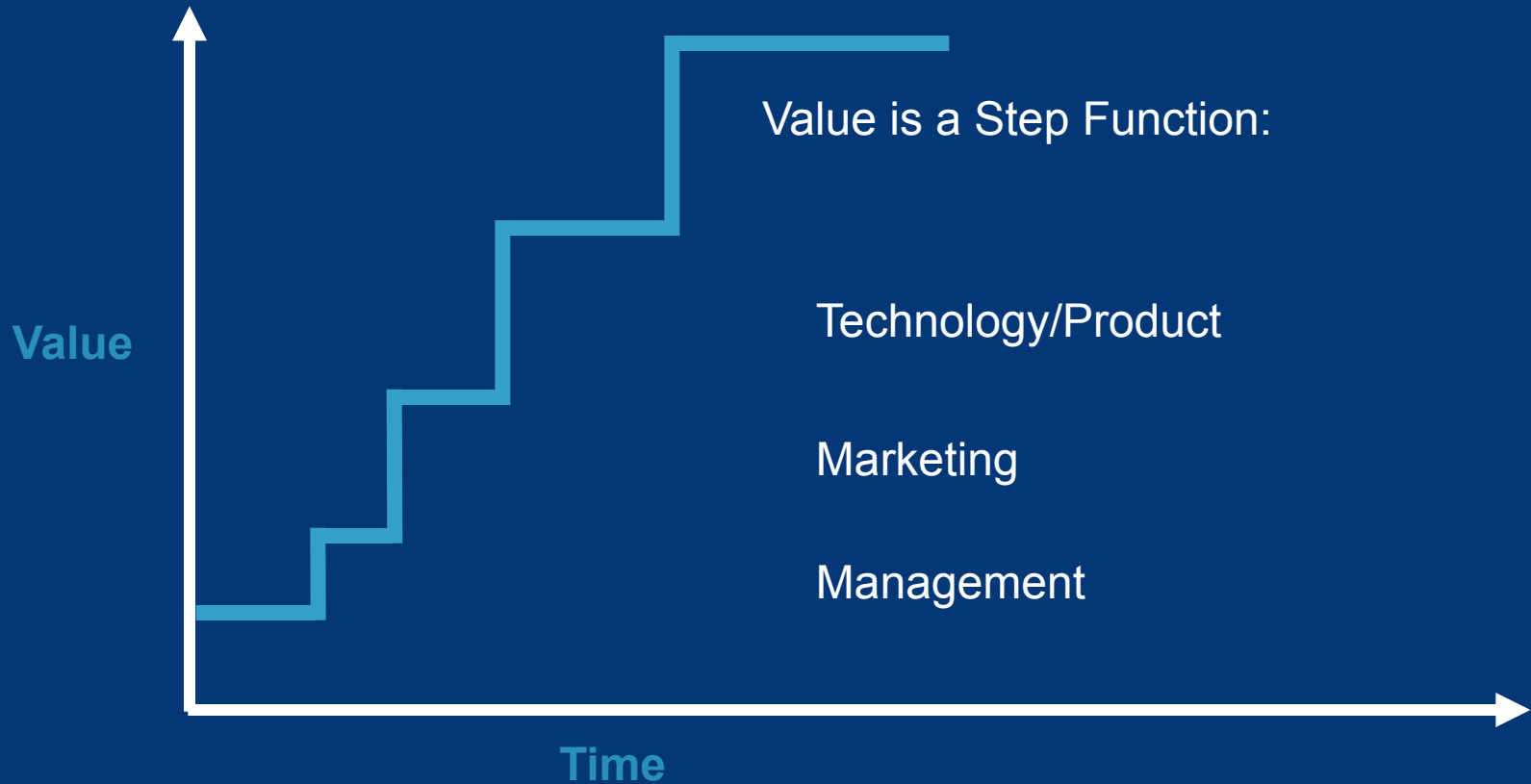
# 3. Venture & Growth Capital

# New Venture Funding Stream



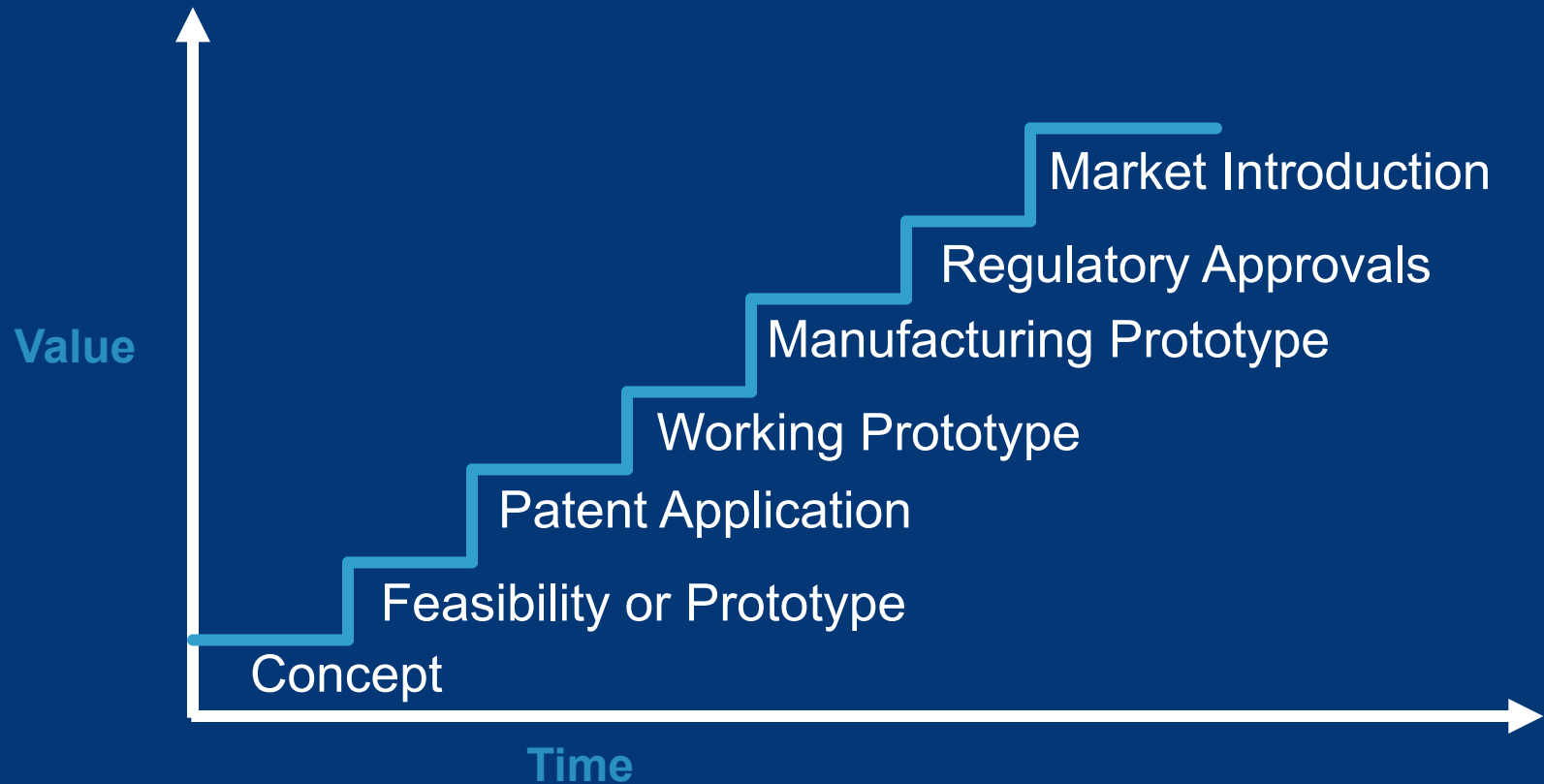
# Structuring the Financing

## The “Why” of multiple rounds





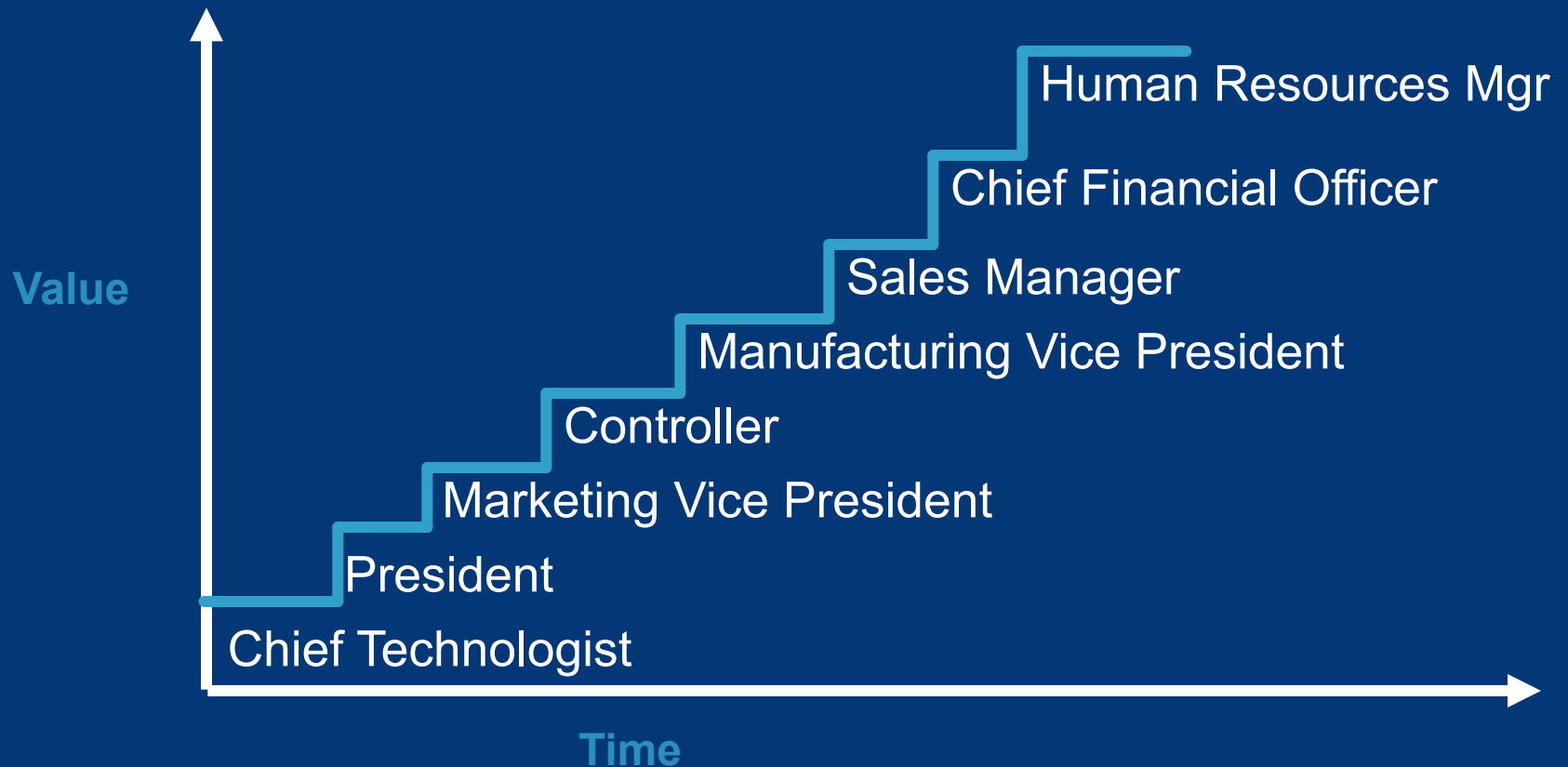
# Adding Technology Value



# Adding Market Value

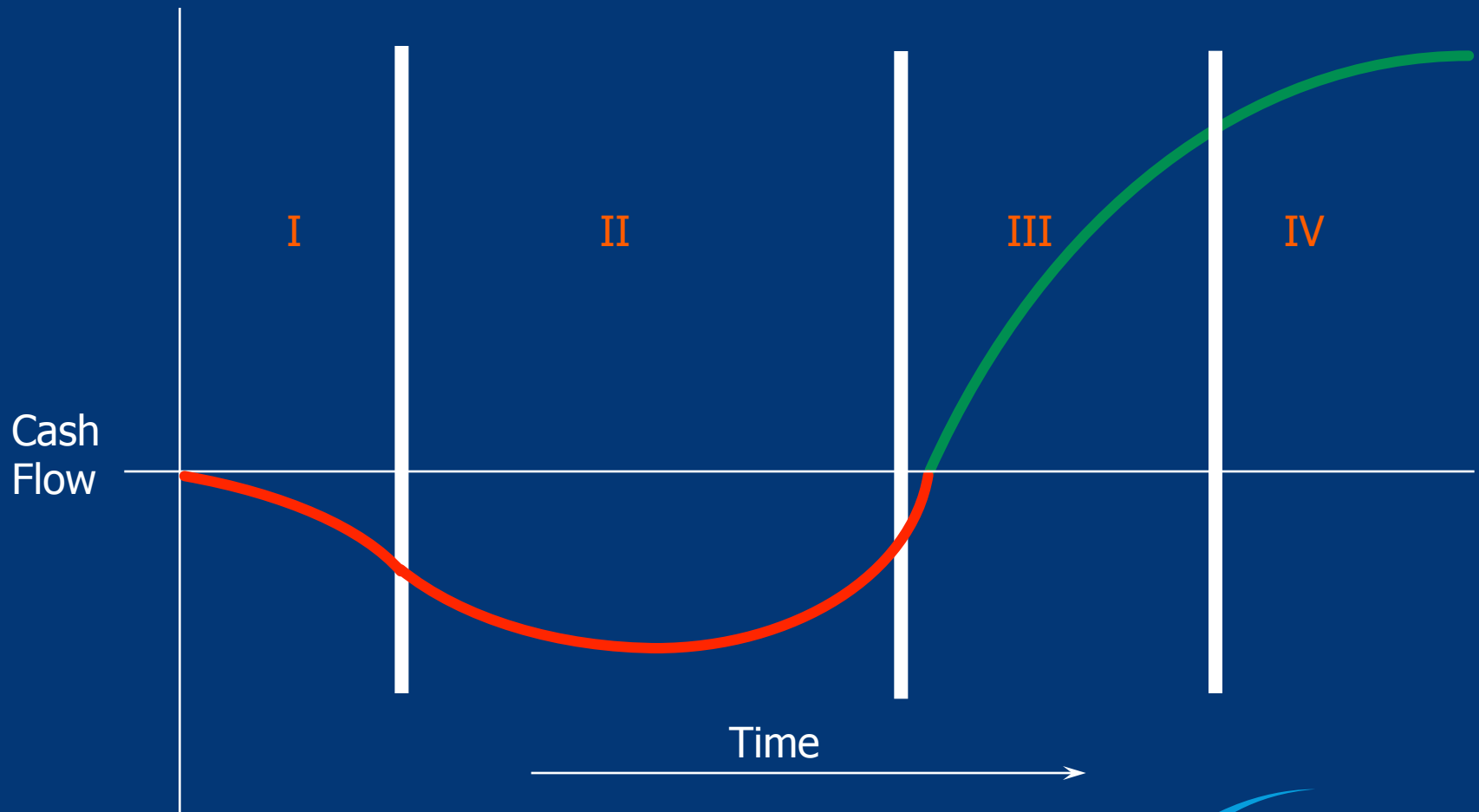


# Adding Management Value

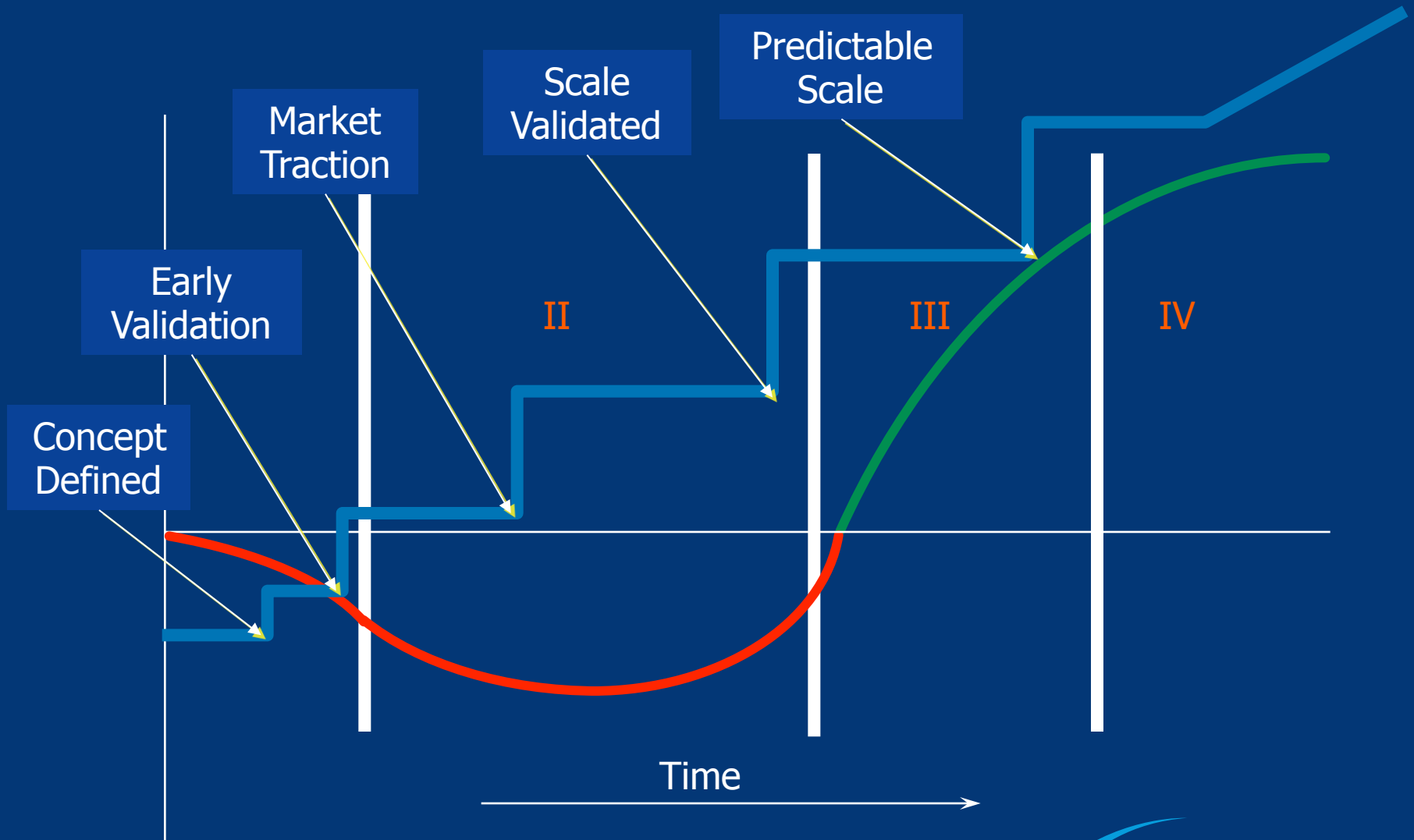


# The Entrepreneurial Venture

## FOUR PERIODS of DEVELOPMENT



# Valuation in Steps



# Staged Financing



# Venture Capital

## Investment Capital for Entrepreneurial Ventures tends to clump

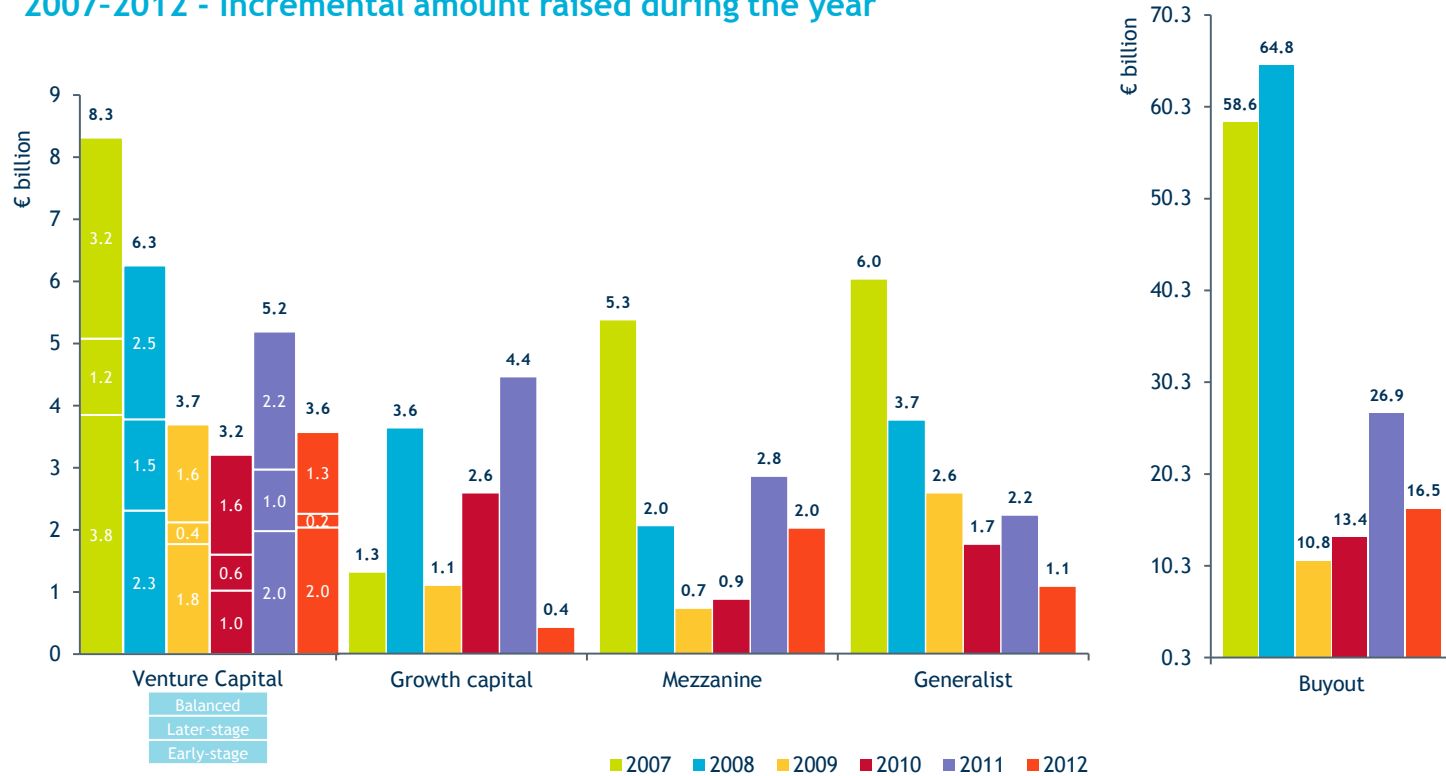
- **By Region**
- **By Industry**

**It is important to encourage local investment in Entrepreneurial Ventures**

# Perspective on European Market

## Funds raised by fund stage focus

2007-2012 - Incremental amount raised during the year



Source: EVCA / PEREP\_Analytics

EVCA EUROPEAN PRIVATE EQUITY AND VENTURE CAPITAL ASSOCIATION

Fundraising

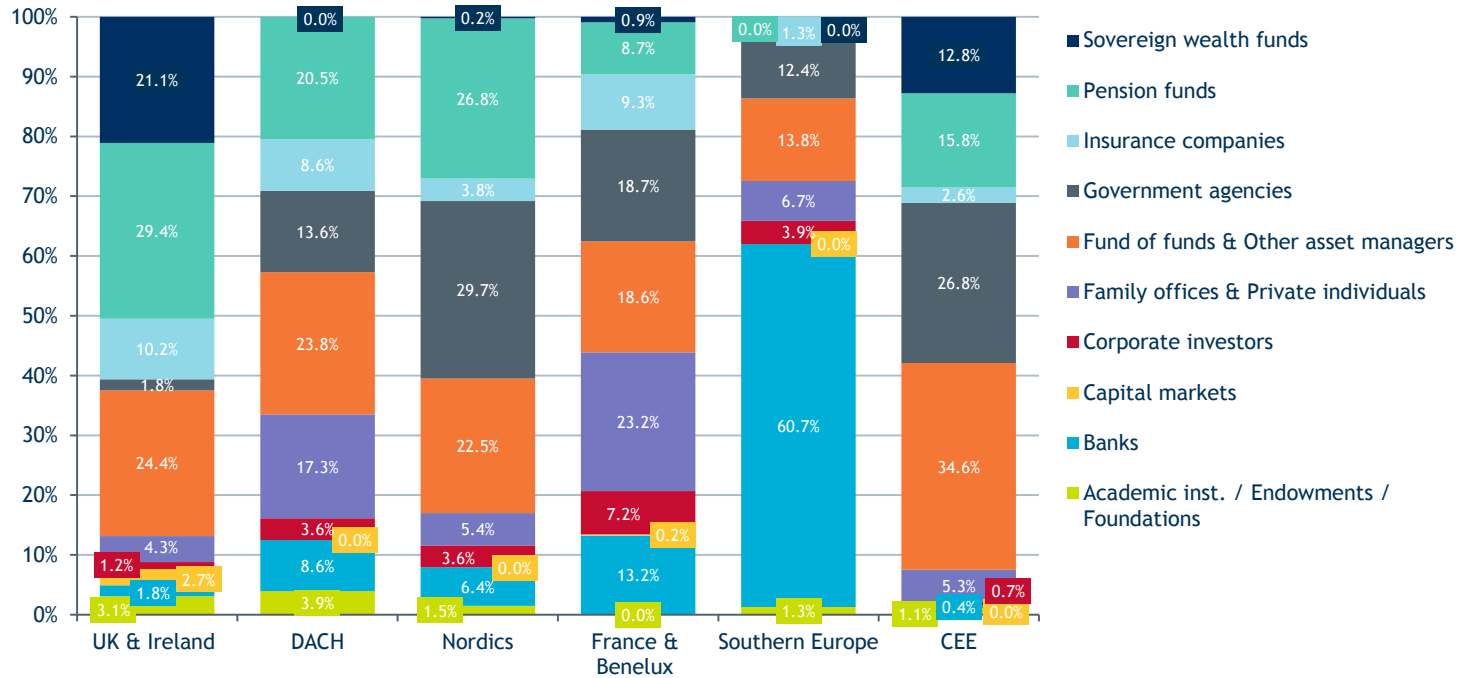
| Creating lasting value | 10



# Perspective on European Market

## Funds raised by type of investor & region of the fund

### 2012 - Incremental amount raised during the year



Source: EVCA / PEREP\_Analytics

DACH: Austria, Germany, Switzerland  
Southern Europe: Greece, Italy, Portugal, Spain

Nordics: Denmark, Finland, Norway, Sweden  
CEE: Central Eastern Europe

EVCA EUROPEAN PRIVATE EQUITY AND VENTURE CAPITAL ASSOCIATION

Fundraising

| Creating lasting value | 18

## Amount invested: size of market

estimated  
angel  
investment  
market

EUROPE  
€5,1bn

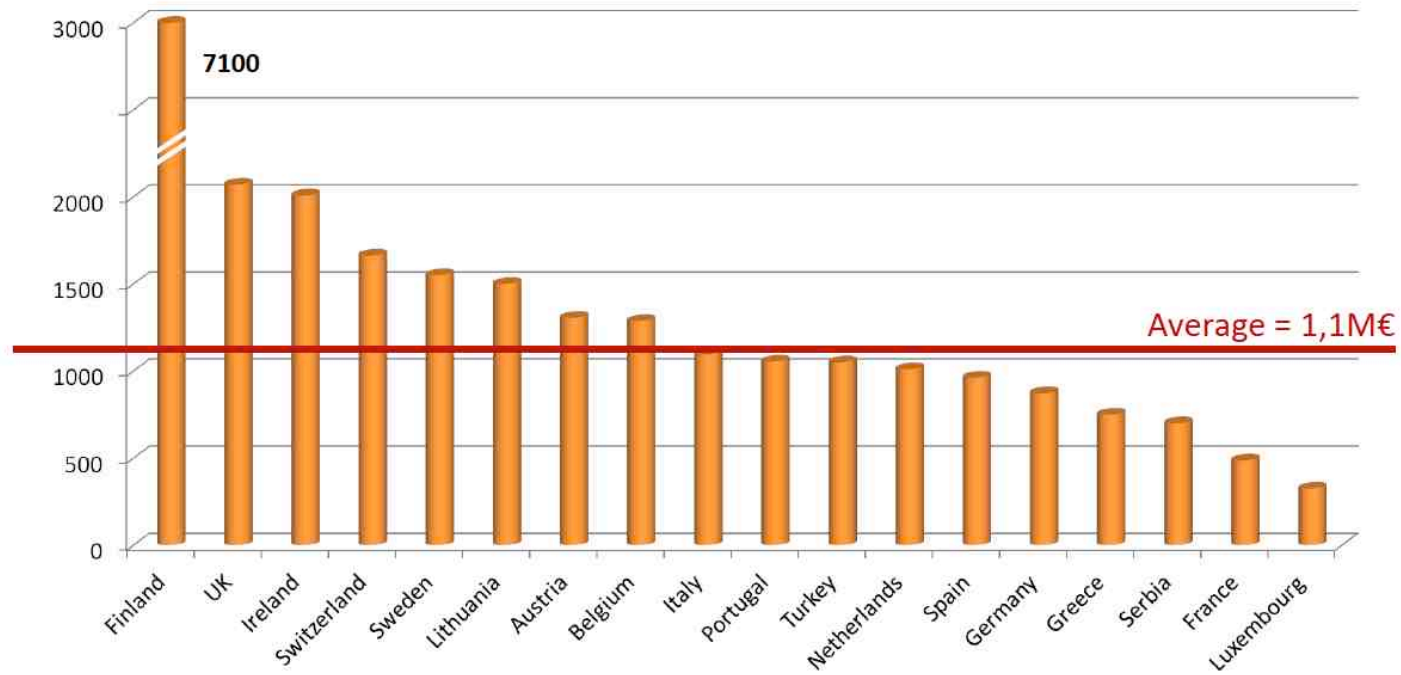
USA  
€17,4bn

European angel investment still represents only 30% of US activity

[www.eban.org](http://www.eban.org)

# EBAN: European Business Angels Flash report 5.7.2013

## Average investment amount by BANs (k€)



[www.eban.org](http://www.eban.org)

# Growth Capital

# Company Formation

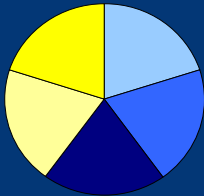
Founders A, B and C each purchase 1M shares of Common Stock at a purchase price of \$.001 per share.



Person	Shares	% Total	Value
Founder A	1,000,000	33.3%	\$1,000
Founder B	1,000,000	33.3%	\$1,000
Founder C	1,000,000	33.3%	\$1,000
<b>totals</b>	<b>3,000,000</b>	<b>100%</b>	
Post-Money Valuation			<b>\$3,000</b>

# Hiring a President/CEO Creation of an Option Plan

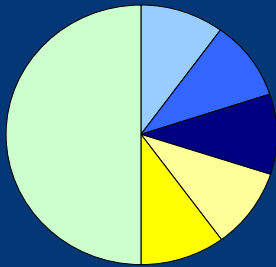
The company hires a chief executive officer who purchases 1M shares of Common Stock at a purchase price of \$.01 per share. Additionally, in order to attract additional key employees, the Company establishes an employee stock option plan and reserves 1M shares of Common Stock for issuance under this plan. The pre-financing valuation is \$30,000.



Person	Shares	% Total	Value
Founder A	1,000,000	20.0%	\$10,000
Founder B	1,000,000	20.0%	\$10,000
Founder C	1,000,000	20.0%	\$10,000
President	1,000,000	20.0%	\$10,000
Option Plan	1,000,000	20.0%	\$10,000
<b>totals</b>	<b>5,000,000</b>	<b>100%</b>	
		Post-Money Valuation	<b>\$50,000</b>

# Initial Venture Capital Round

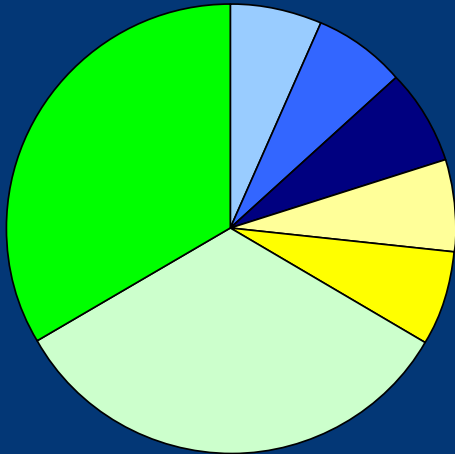
\$5,000,000 venture capital financing at a purchase price of \$1 per share, representing a pre-financing valuation of \$5,000,000 (5M shares with a value of \$1 per share). The new shares are typical venture capital Series A Preferred Stock, with each share of Series A Preferred Stock being convertible into one share of Common Stock.



Person	Shares	% Total	Value
Founder A	1,000,000	10.0%	\$1,000,000
Founder B	1,000,000	10.0%	\$1,000,000
Founder C	1,000,000	10.0%	\$1,000,000
President	1,000,000	10.0%	\$1,000,000
Option Plan	1,000,000	10.0%	\$1,000,000
Series A Inv	5,000,000	50.0%	\$5,000,000
<b>totals</b>	10,000,000	100%	
	Post-Money Valuation		<b>\$10,000,000</b>

# Series B Preferred Financing

**\$10,000,000 Series B Preferred Stock financing at a purchase price of \$2 per share, representing a pre-financing valuation of \$20,000,000 (10M shares with a value of \$2 per share). Like the Series A Preferred Stock, each share of Series B Preferred Stock is convertible into one share of Common Stock.**



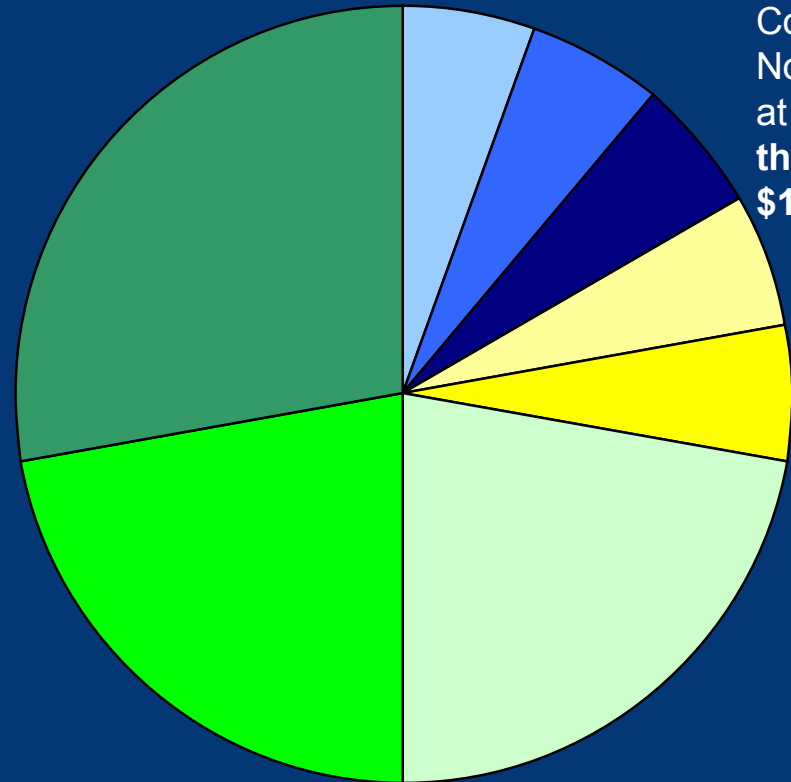
Person	Shares	% Total	Value
Founder A	1,000,000	6.7%	\$2,000,000
Founder B	1,000,000	6.7%	\$2,000,000
Founder C	1,000,000	6.7%	\$2,000,000
President	1,000,000	6.7%	\$2,000,000
Option Plan	1,000,000	6.7%	\$2,000,000
Series A Inv	5,000,000	33.3%	\$10,000,000
<b>Series B Inv</b>	<b>5,000,000</b>	<b>33.3%</b>	<b>\$10,000,000</b>
<b>totals</b>	<b>15,000,000</b>	<b>100%</b>	
		Post-Money Valuation	<b>\$30,000,000</b>



# Initial Public Offering (IPO)

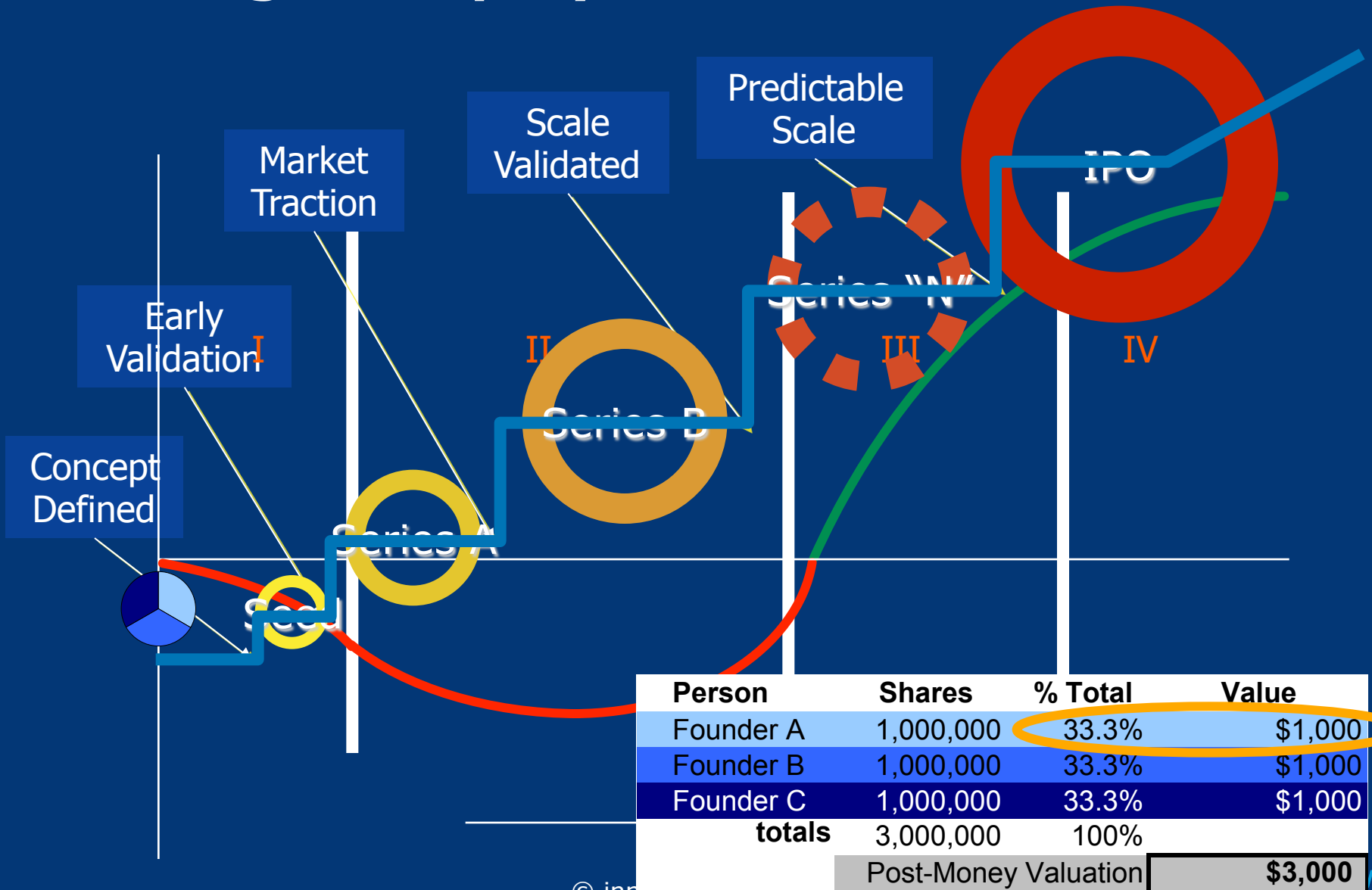
A total of 5M shares to be sold in the offering, including 3M shares sold by the Company and 1M shares sold by each of the Series A and Series B investors. Shares will be sold at a price of \$10 per share, representing a pre-financing valuation of \$150,000,000 (15M shares with a value of \$10 per share.)

Series A and Series B Preferred Stock automatically converted into Common Stock. All shares sold in offering will be Common Stock. Note that the interest of each founder has decreased from 33.33% at the Company's formation to 5.55% following the IPO. However, **the value of the interest of each founder has increased from \$1,000 to \$10,000,000.**

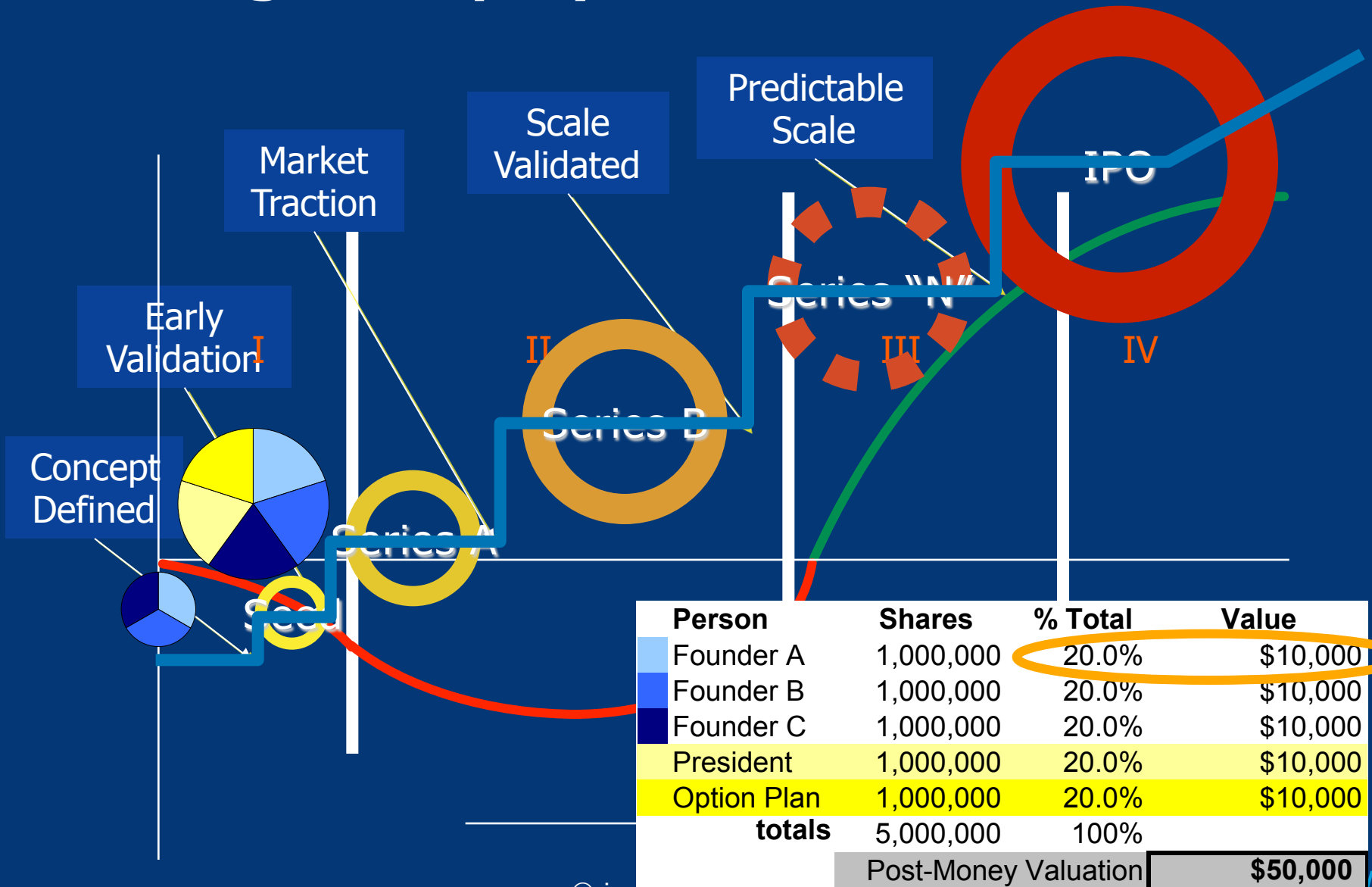


Person	Shares	% Total	Value
Founder A	1,000,000	5.6%	\$10,000,000
Founder B	1,000,000	5.6%	\$10,000,000
Founder C	1,000,000	5.6%	\$10,000,000
President	1,000,000	5.6%	\$10,000,000
Option Plan	1,000,000	5.6%	\$10,000,000
Series A Inv	4,000,000	22.2%	\$40,000,000
Series B Inv	4,000,000	22.2%	\$40,000,000
Public IPO	5,000,000	27.8%	\$50,000,000
<b>totals</b>	<b>18,000,000</b>	<b>100%</b>	
<b>Post-Money Valuation</b>			<b>\$180,000,000</b>

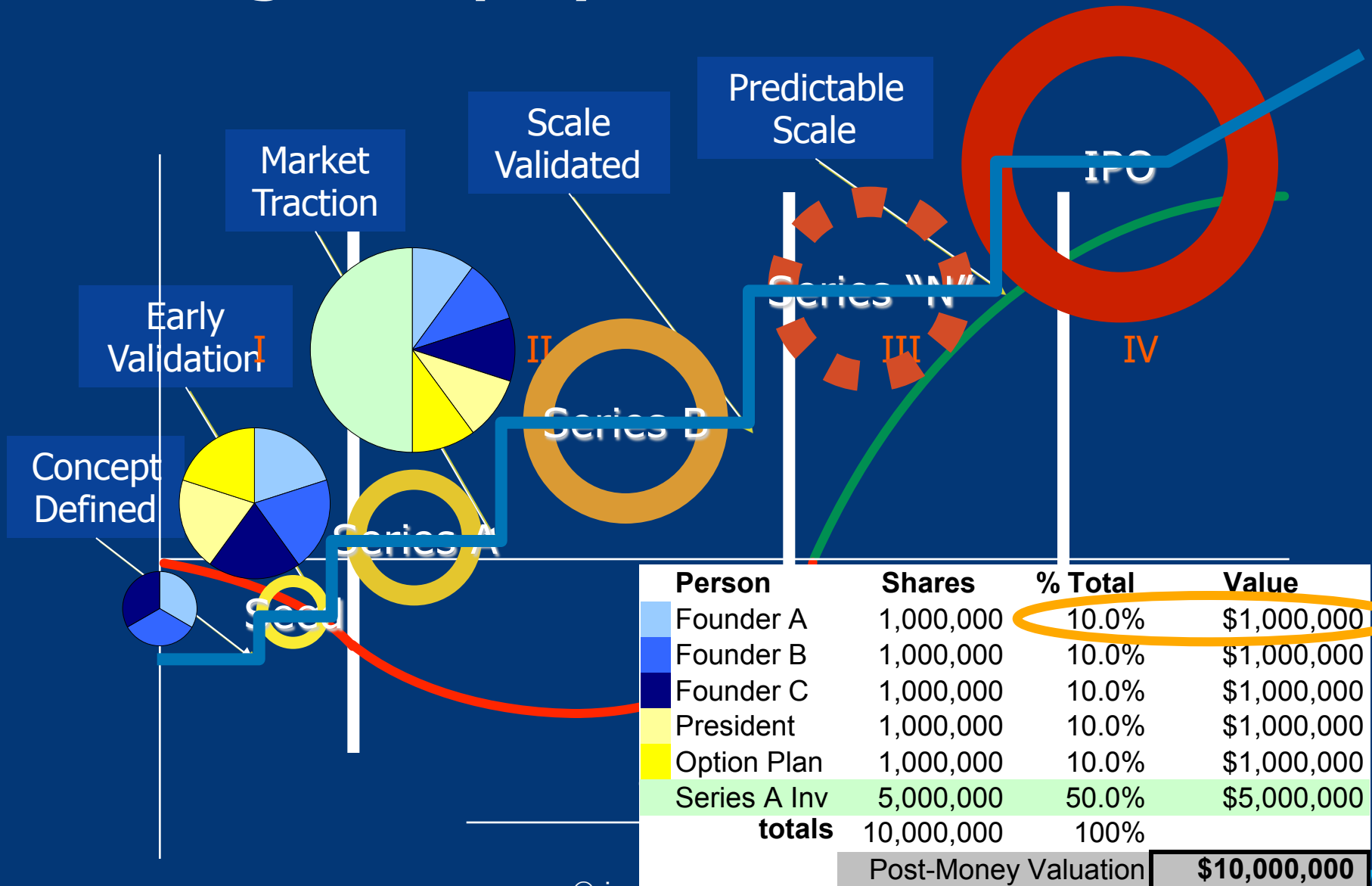
# Growing the Equity Pie



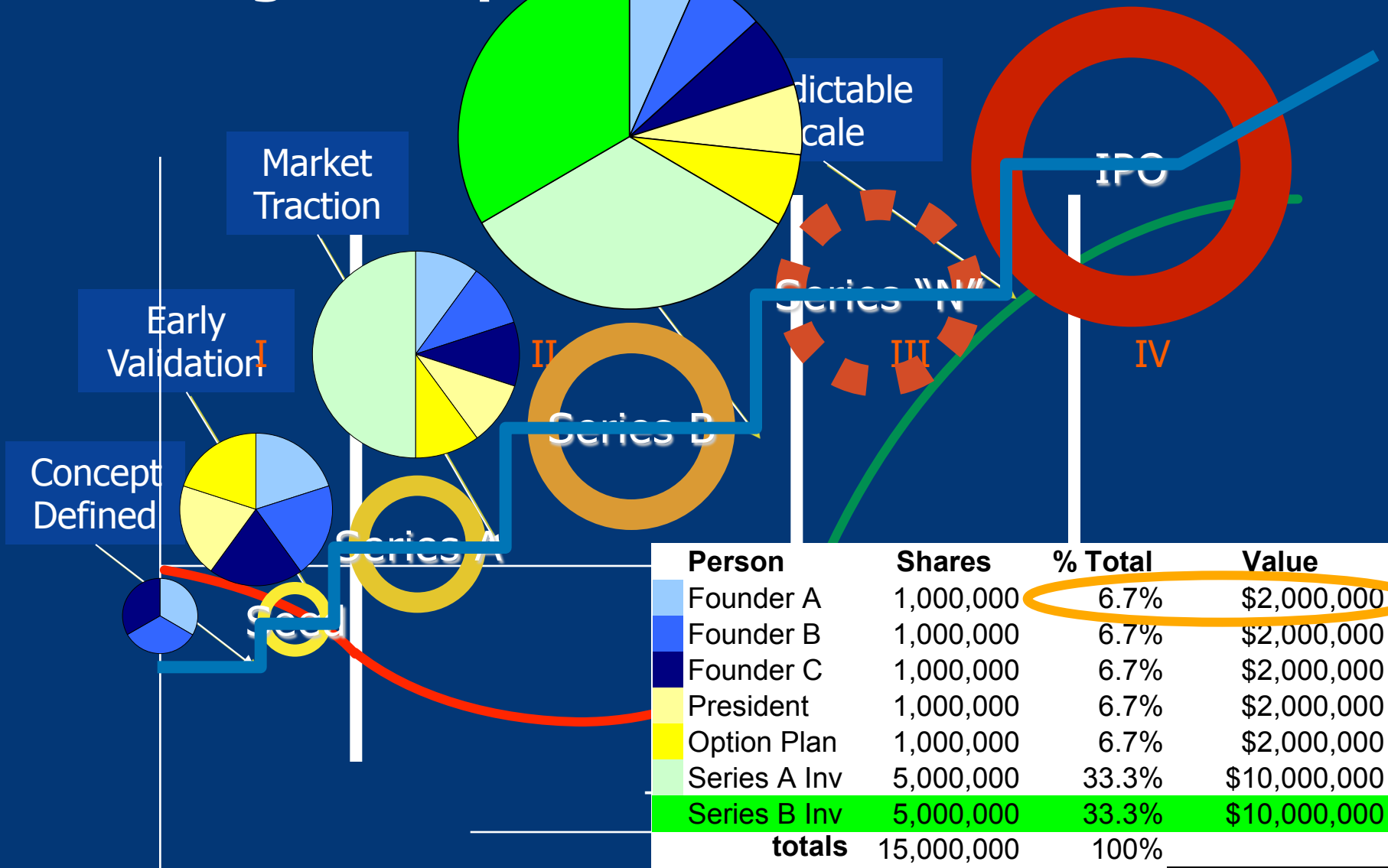
# Growing the Equity Pie



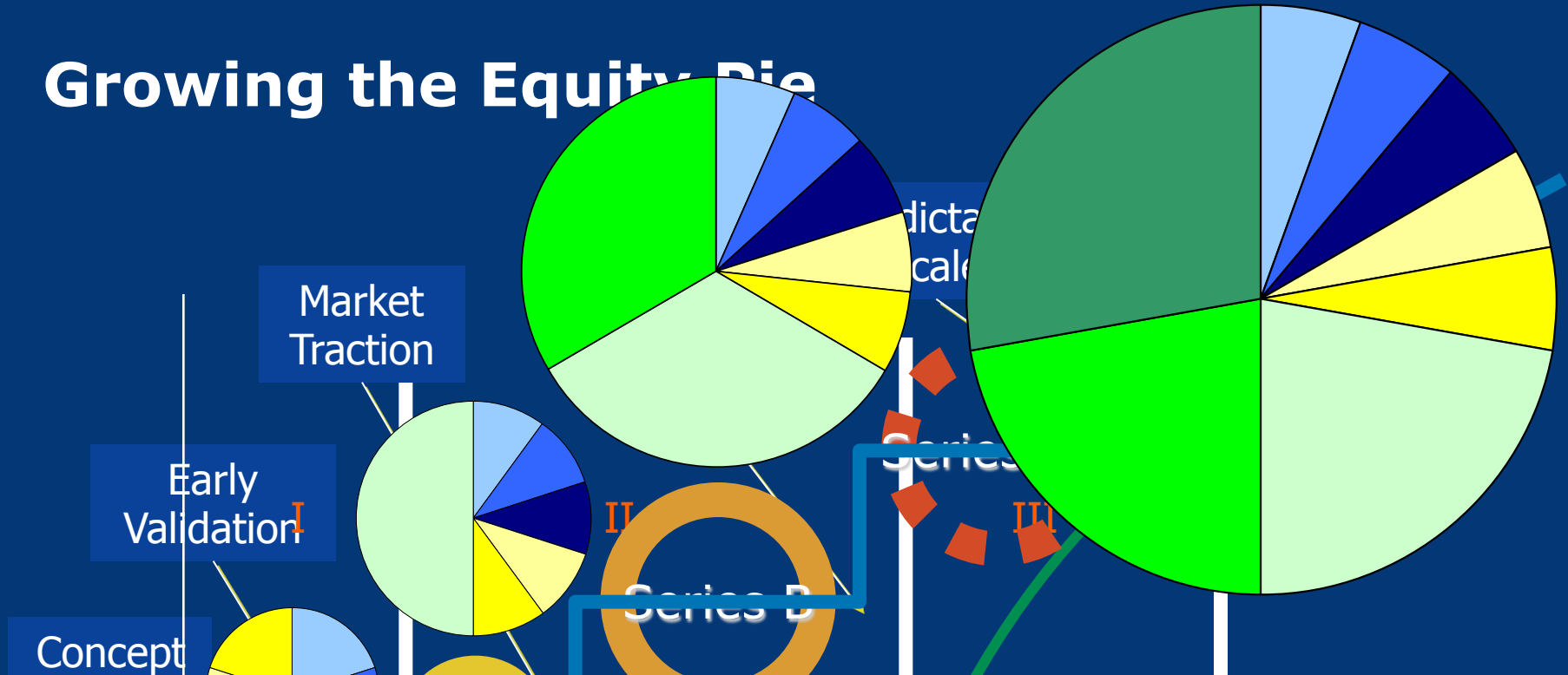
# Growing the Equity Pie



# Growing the Equity Pie



# Growing the Equity Pie



Person	Shares	% Total	Value
Founder A	1,000,000	5.6%	\$10,000,000
Founder B	1,000,000	5.6%	\$10,000,000
Founder C	1,000,000	5.6%	\$10,000,000
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Public IPO	5,000,000	27.8%	\$50,000,000
<b>totals</b>	<b>18,000,000</b>	<b>100%</b>	

Post-Money Valuation **\$180,000,000**

# 4. Opportunity Recognition

# How to Evaluate a Deal from the Company's Perspective

Founder's Issues

Employee's Issues

Corporate Issues

- Sufficient Capital
- Freedom of Operation

Previous Investor and Creditor Issues

Etc.



# How to Evaluate a Deal from the Investor's Perspective

**Potential for Adequate Return**

**Opportunity for a Home Run?**

**Potential 'Fatal Flaws'**

**Time Requirements**

**Follow-on Investment Requirements**

**Portfolio and Fund Compatibility**

**Etc.**

# Effect of Eleven Factors on Company Valuation

<u>Variables</u>	<u>Lower Valuation</u>	<u>Higher Valuation</u>
<b>Technology</b>		
• Stage of Development	Concept	Product
• Patent Status	None Filed	Issued
• Time to Market	Long	Short
<b>Market</b>		
• Demonstrable Need	No	Yes
• Size & Growth	Small	Large
• Market Penetration	Slow	Rapid
<b>Management Team</b>		
	Novice	Tested
<b>Financial</b>		
• Profit Margins	Low	High
• Total Capital Required	High	Low
<b>Return on Investment</b>		
• Potential Future Valuation	Low	High
• Time to Liquidity	Long	Short

# Evaluate Several Opportunities (Excercise)

# Opportunity Screening Framework

(Timmons, New Venture Creation)

	Attractiveness	
	High Potential	Low Potential
Market	Current, Must-have need	Weak need that must be developed
Harvest	Near, High Margins	Far, Low Margins
Competitive	High Barriers	Severe Pricing Pressure
Management	Complete; Strong	Inappropriate
Fatal Flaws	None	One or more

# Team Report-outs (5 mins each)

# The Four Steps to the Epiphany

# The Four Steps to the Epiphany

**The Path to Disaster**

**The Product Development Model**

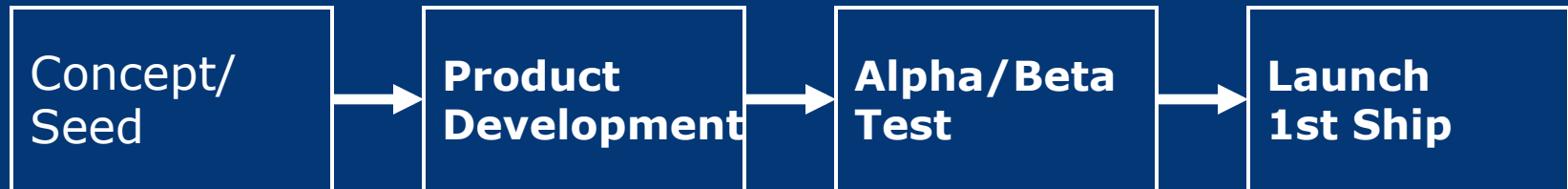
**„...for the gate is wide and the road broad that leads to destruction, and those who enter through it are many.“**

**Mathew 7:13**

Source: The Four Steps to the Epiphany  
Steven Gary Blank

# The Four Steps to the Epiphany

## The Product Development Diagram



This approach, though often used in R&D of established companies, has proven disastrous for start-ups.

CASE Example: Webvan (groceries via the web)

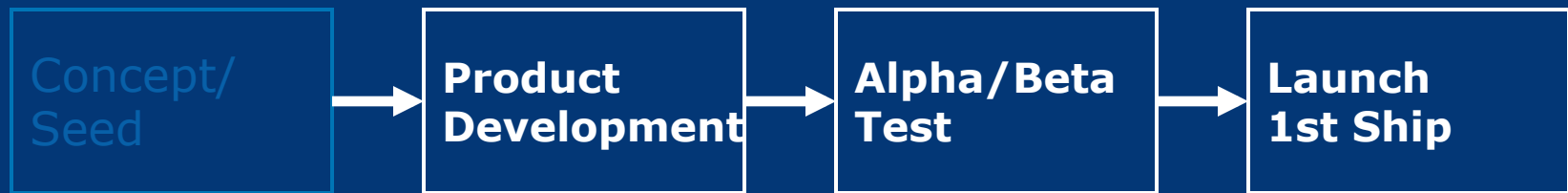
Despite excellence in execution, Webvan was bankrupt 24 months and 800M\$ later.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany

## The Product Development Diagram



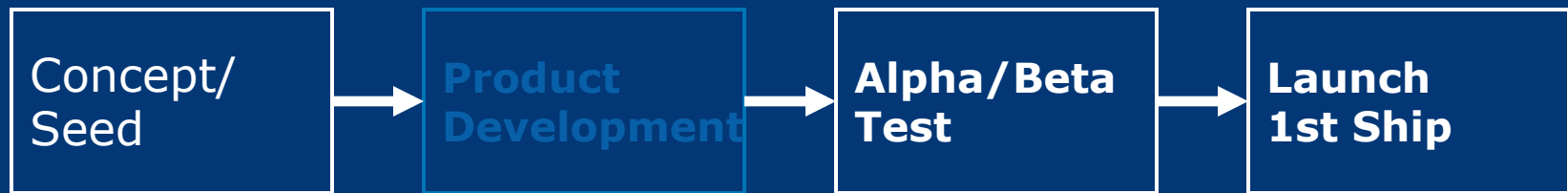
### Concept/Seed Stage:

- **Capture passion and vision (proverbial napkin)**
- **Product or service concept ? Features, benefits ?**
- **Who are the customers ? Where are they ?**
- **Distribution channels ? Competition ? Differentiation ?**
- **Leads into pricing concept, product cost, R&D, first revision of a financial plan.**
- **Webvan did all this excellently, raising 10M\$ and another 393M\$ before IPO.**

Source: The Four Steps to the Epiphany  
Steven Gary Blank

# The Four Steps to the Epiphany

## The Product Development Diagram



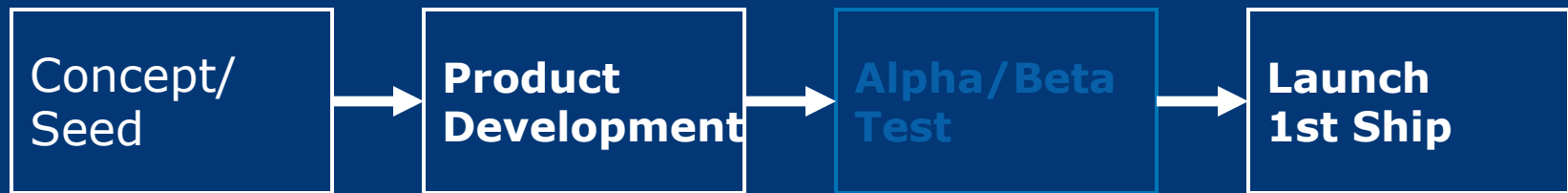
### Product Development:

- **Everyone stops talking and starts working**
- **Company starts to specialize by function**
- **Engineering focusses on building the product**
- **Key milestones, delivery dates, development costs**
- **Marketing refines market size, targets first customers**
- **Marketing creates sales demo, sales materials, hire PR agency and VP of sales**

Source: The Four Steps to the Epiphany  
Steven Gary Blank

# The Four Steps to the Epiphany

## The Product Development Diagram



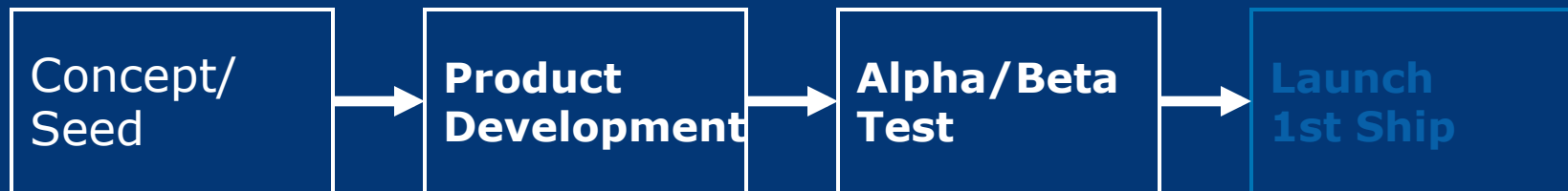
### Alpha/Beta Test:

- **Engineering works with small select group of customers, tests for bugs.**
- **Marketing develops marketing comms plan, provides sales with full support materials.**
- **Sales signs up first beta customers, builds distribution channel, scales sales staff**
- **Venture investors start measuring progress by number of orders in place by first customer ship.**

Source: The Four Steps to the Epiphany  
Steven Gary Blank

# The Four Steps to the Epiphany

## The Product Development Diagram



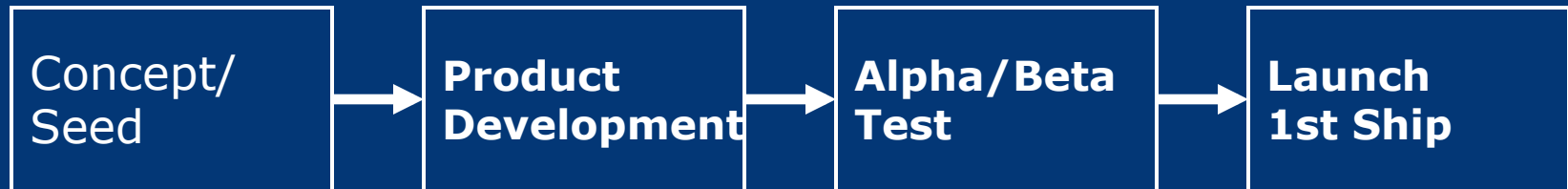
Product Launch and First Customer ship:

- **The product is working (sort of), company goes into „Big Bang“ spending mode.**
- **Sales force is expanding, marketing is at its peak**
- **Marketing increases demand creation programs**
- **Board measures performance of sales against initial business plan.**
- **Marketing is burning through a lot of cash, additional fund raising is needed.**
- **Webvan filed for IPO just 60 days after first Beta testing, raised another 400M\$ and had a market capitalization of 8.5B\$ on the day of ist IPO, greater than the top 3 grocery chains combined.**

The Four Steps to the Epiphany  
Steven Gary Blank

# The Four Steps to the Epiphany

## The Product Development Diagram



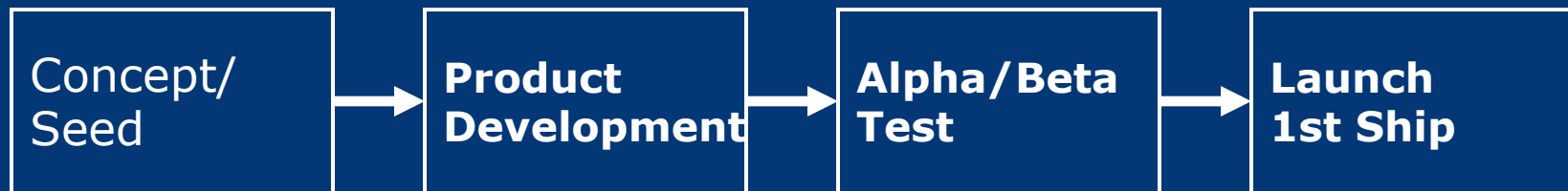
What is wrong with this picture/model ??

- **Considering this is used by almost every organization launching a new product, the question seems wrong.**
- **The first hint lies in the name: „product development model“ not a marketing model, not a sales hiring model, not a customer acquisition model, not even a financing model.**
- **Largest risk for startups is not product development, but the development of customers and markets. Startups don't fail due to lack of a product, they fail due to lack of customers and a proven financial model.**
- **Where are the customers ?? Why is everyone setting their watches and expectations on the „first customer ship date“ ?**
- **This is a „fire, ready, aim“ strategy.**
- **Customer discovery is missing totally !!**

Source: The Four Steps to the Epiphany  
Steven Gary Blank

# The Four Steps to the Epiphany

## The Product Development Diagram



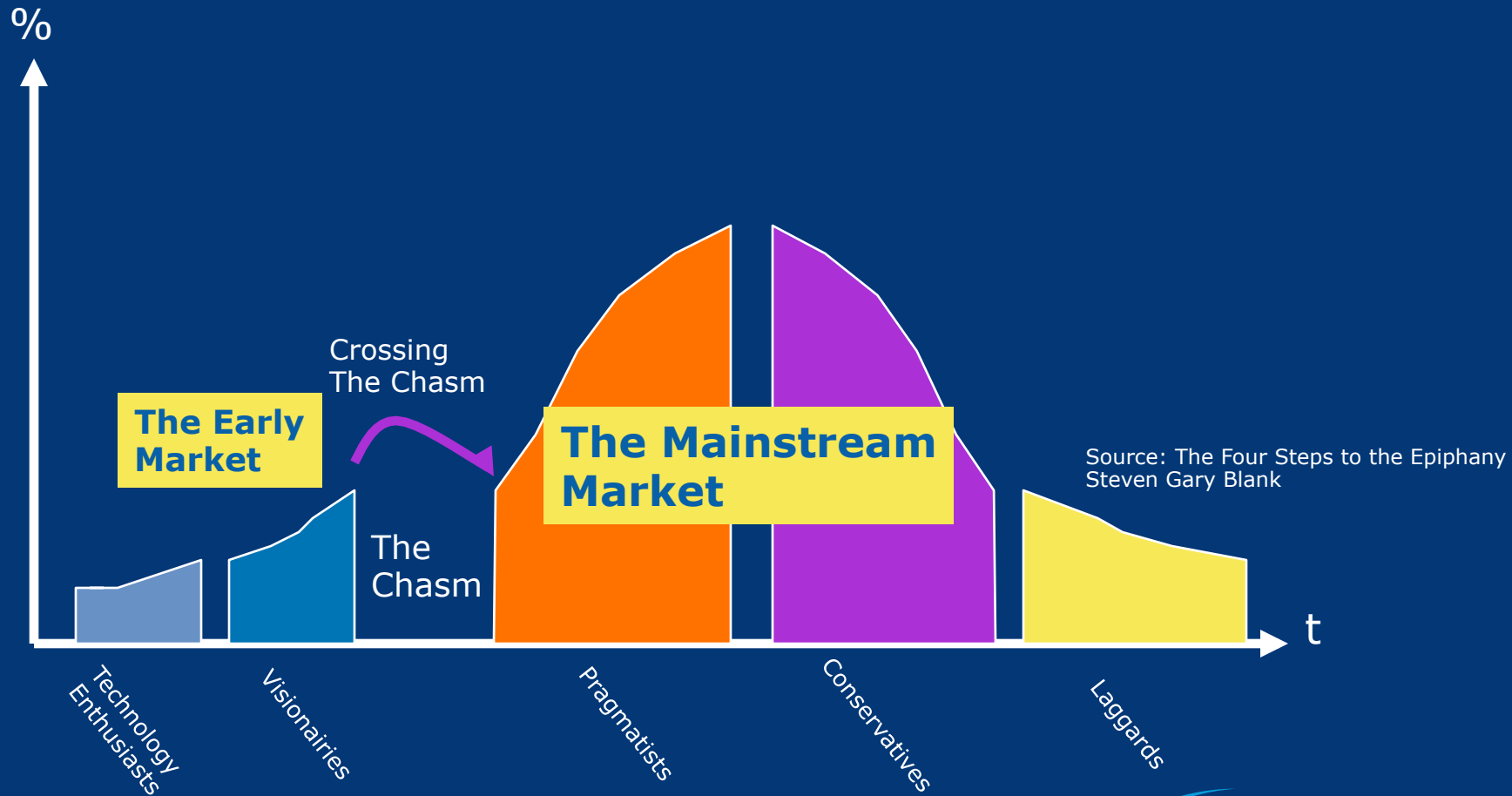
What is wrong with this picture/model ??

- **Emphasis is on execution instead of learning and discovery.**
- **Lack of meaningful milestones for customer development.**
- **The use of a product development methodology to measure sales. (Webvan had only 2500 orders/day instead of 8000/day as in its business plan)**
- **The use of a product development methodology to measure marketing. (all marketing activities occur before customers start buying. (Webvan had an impressive 47000 customers, though 71% of its 2000 orders/day were repeat customers))**
- **Having all the marketing activities executing before FPS resulted in premature scaling and spending at a level sales could not support.**
- **This results in a death spiral (Webvan accumulated a deficit of 612M\$ and was bankrupt soon after)**

Source: The Four Steps to the Epiphany  
Steven Gary Blank

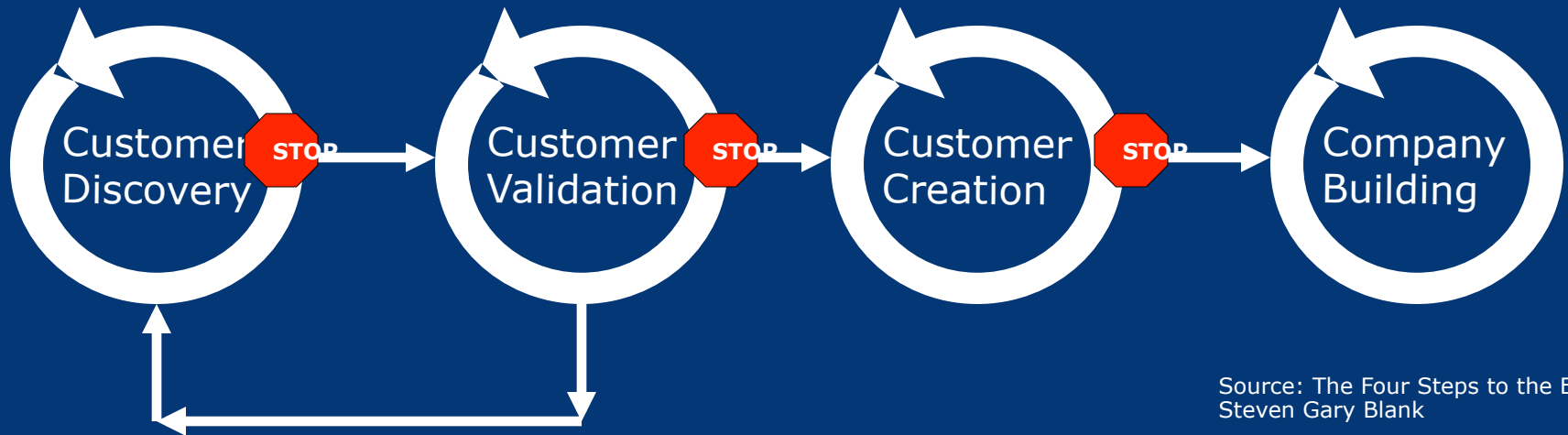
# The Four Steps to the Epiphany

The Technology Lifecycle Adoption Curve



# The Four Steps to the Epiphany

## The Customer Development Model



Source: The Four Steps to the Epiphany  
Steven Gary Blank

The Major difference between this model and the product development model is that each step is a circular track with recursive arrows. This highlights the fact that each step is iterative.

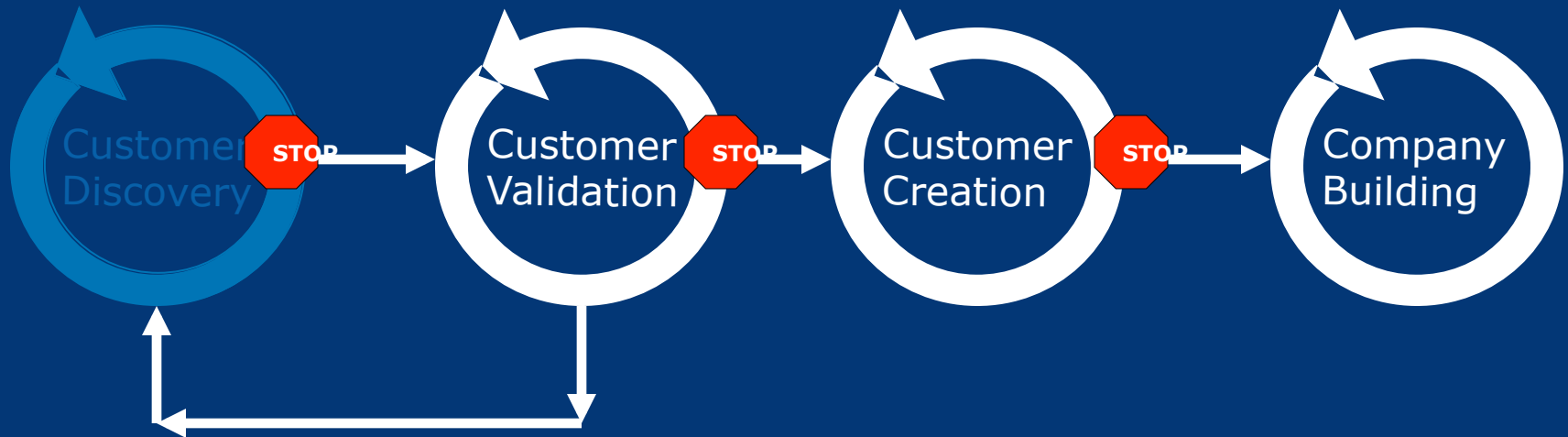
It will take multiple iterations of each of the four steps before you get it right, giving you the „escape velocity“ to go on to the next step.

Here failure is valued if you learn from it ! Left to right is not a straight line !



# The Four Steps to the Epiphany

## The Customer Development Model



### Customer Discovery:

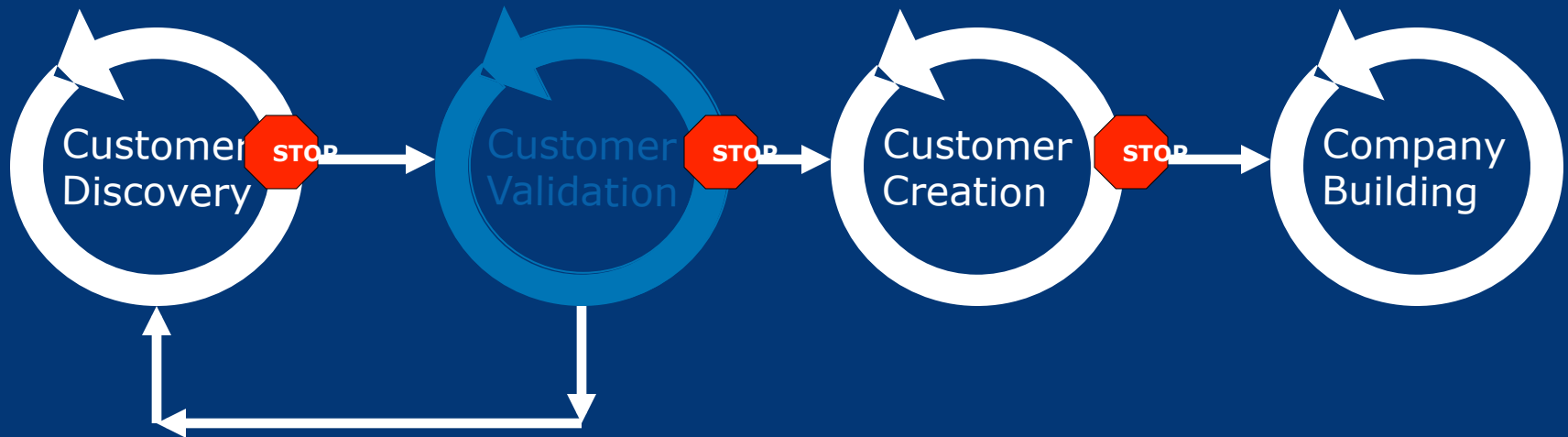
Who are the customers for my product ? Is my product important to them ?  
Are there customers and a market for my product ?.

Get out in the field and listen to customers, discovering how they work and what their key problems are.

Source: The Four Steps to the Epiphany  
Steven Gary Blank

# The Four Steps to the Epiphany

## The Customer Development Model



### Customer Validation:

Build a repeatable sales road map for sales and marketing teams that will follow later.

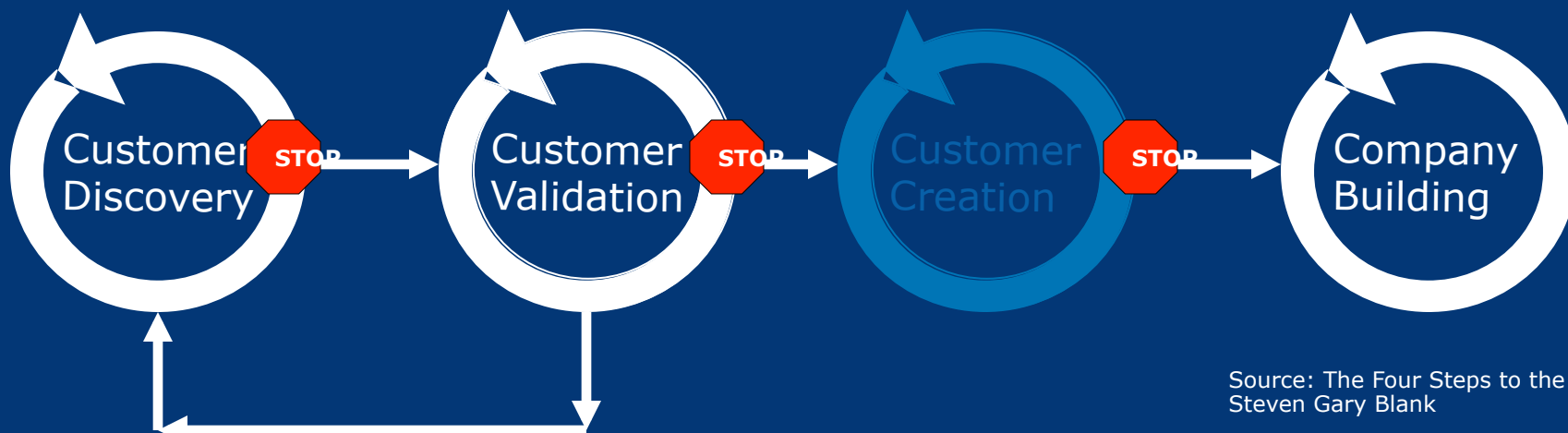
Customer validation proves you have found a set of customers and a market who react positively to the product (by buying it).

Find a group of repeatable customers with a repeatable sales process that equal a profitable business model.

Source: The Four Steps to the Epiphany  
Steven Gary Blank

# The Four Steps to the Epiphany

## The Customer Development Model



Source: The Four Steps to the Epiphany  
Steven Gary Blank

### Customer Creation:

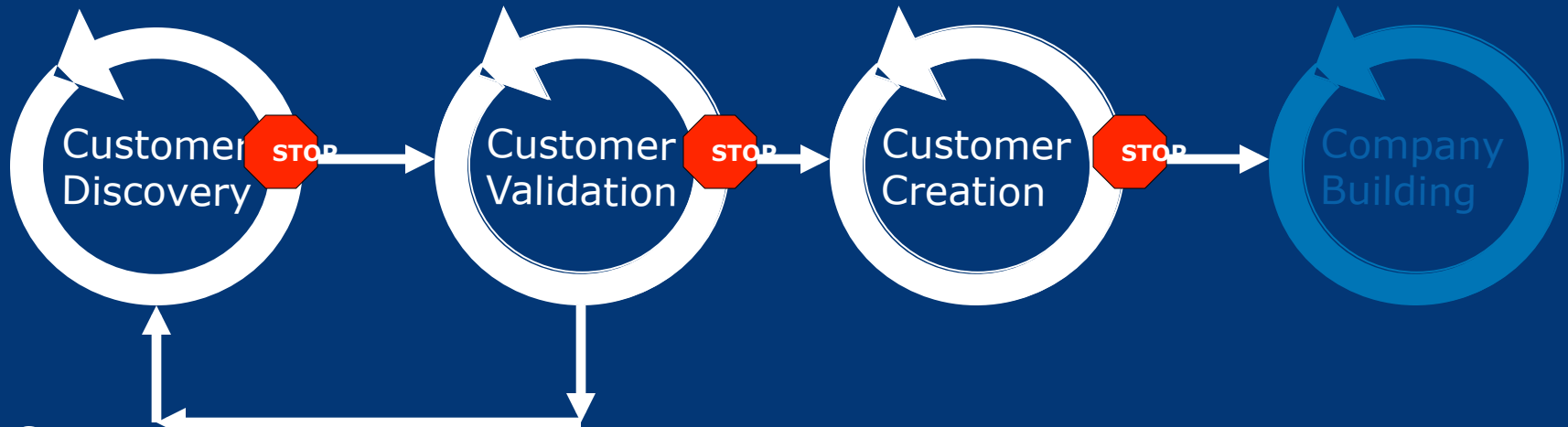
Create end-user demand that drives that demand into the company's sales channel.

This step is placed AFTER customer validation to move heavy marketing spending AFTER the point where the startup acquires its first customers, allowing the company to control its cash burn rate.

Building a strong brand and heavy advertising only makes sense in markets where your customers understand your product or service.

# The Four Steps to the Epiphany

## The Customer Development Model



### Company Building:

The company transitions from its informal, learning and discovery oriented customer development team into formal departments with VPs of Sales, Marketing and Business Development.

Premature scaling is the bane of startups.

Source: The Four Steps to the Epiphany  
Steven Gary Blank

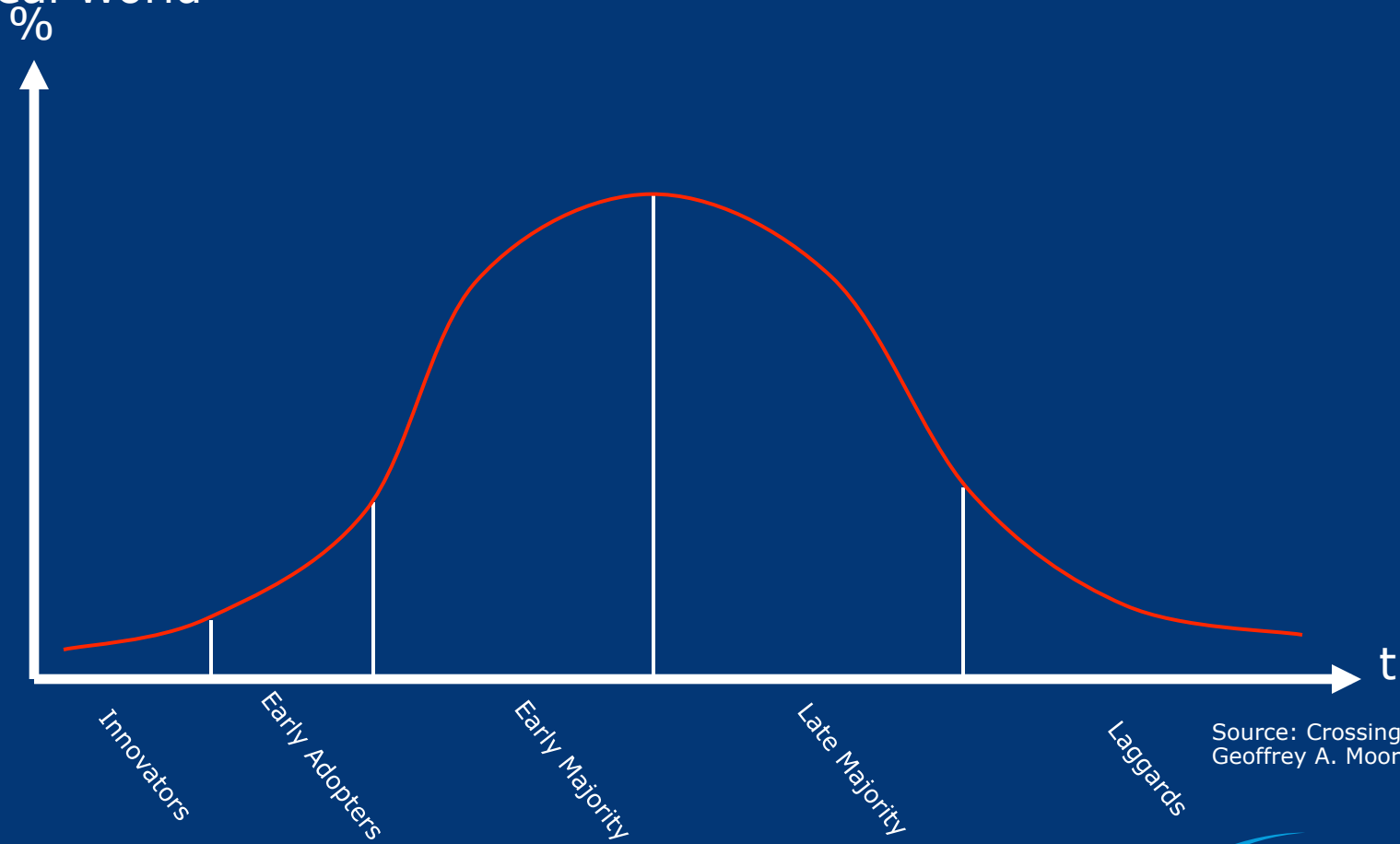
# Crossing the Chasm (New)

Recommended Literature:  
Crossing The Chasm  
Geoffrey A. Moore  
ISBN 0-88730-717-5



# Crossing the Chasm

The Technology Lifecycle Adoption Curve  
Ideal World



Source: Crossing the Chasm  
Geoffrey A. Moore



# Crossing the Chasm

## **Innovators:**

Pursue new technology Products aggressively. They sometimes seek them out before a formal Marketing Program has been launched. This is because technology is a central Interest in their Life.

## **Early Adopters:**

Similar to innovators early in the adaptaion phase, but are typically not technologists. They can appreciate benefits of new technology. Rely on their own intuition and vision.

Source: Crossing the Chasm  
Geoffrey A. Moore



# Crossing the Chasm

## **Early Majority:**

Share some of Early Adopters ability to relate to technology, but driven by a strong sense of practicality. Need to see well established references before investing substantially. ~ 1/3 of the Life Cycle

## **Late Majority:**

Shares all the concerns of the Early majority, but with one major additional one: They are not comfortable with their own ability to handle a technology product. ~1/3 of the Life Cycle. This market is interesting as, while product prices have decreased so have manufacturing costs and R&D costs, margins rise !!

## **Laggards:**

These customers simply don't want to have anything to do with new technology. Laggards are generally regarded as not worth pursuing on any other basis.

Source: Crossing the Chasm  
Geoffrey A. Moore





# Crossing the Chasm

## The High-Tech Marketing Model:

Generally the way to develop a high-tech market is to work the model from left to right.

<b>Innovators</b>	→ grow the market	→ endorsement	->
<b>Early Adopters</b>	→ grow the market	→ endorsement	->
<b>Early Majority</b>	→ grow the market	→ endorsement	->
<b>Late Majority</b>	→ grow the market	→ endorsement	->
<b>Laggards</b>	→ grow the market		

Utilize the „Window of Opportunity“

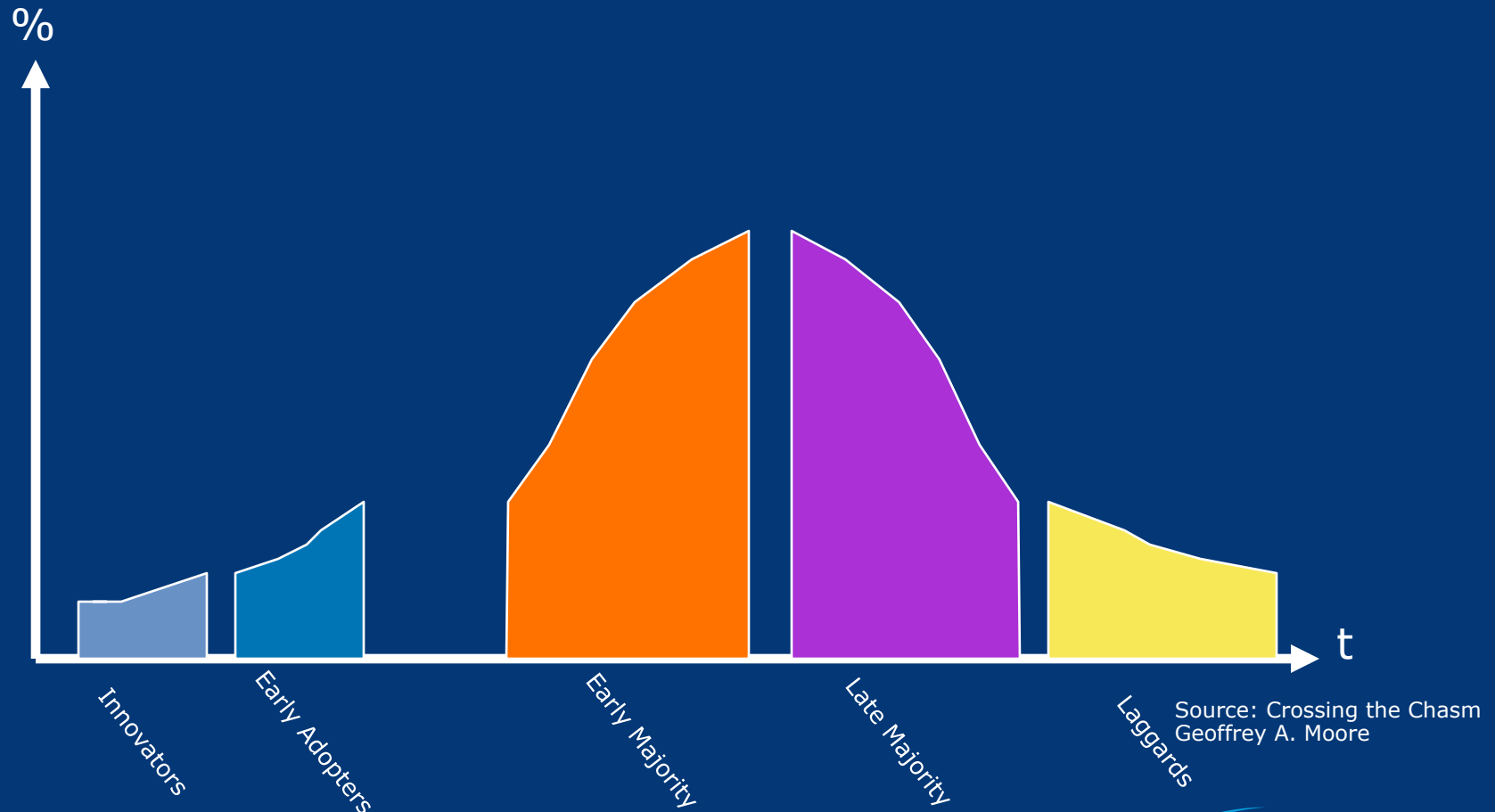
Source: Crossing the Chasm  
Geoffrey A. Moore



# Illusion and Disillusion

## Cracks in the Bell Curve

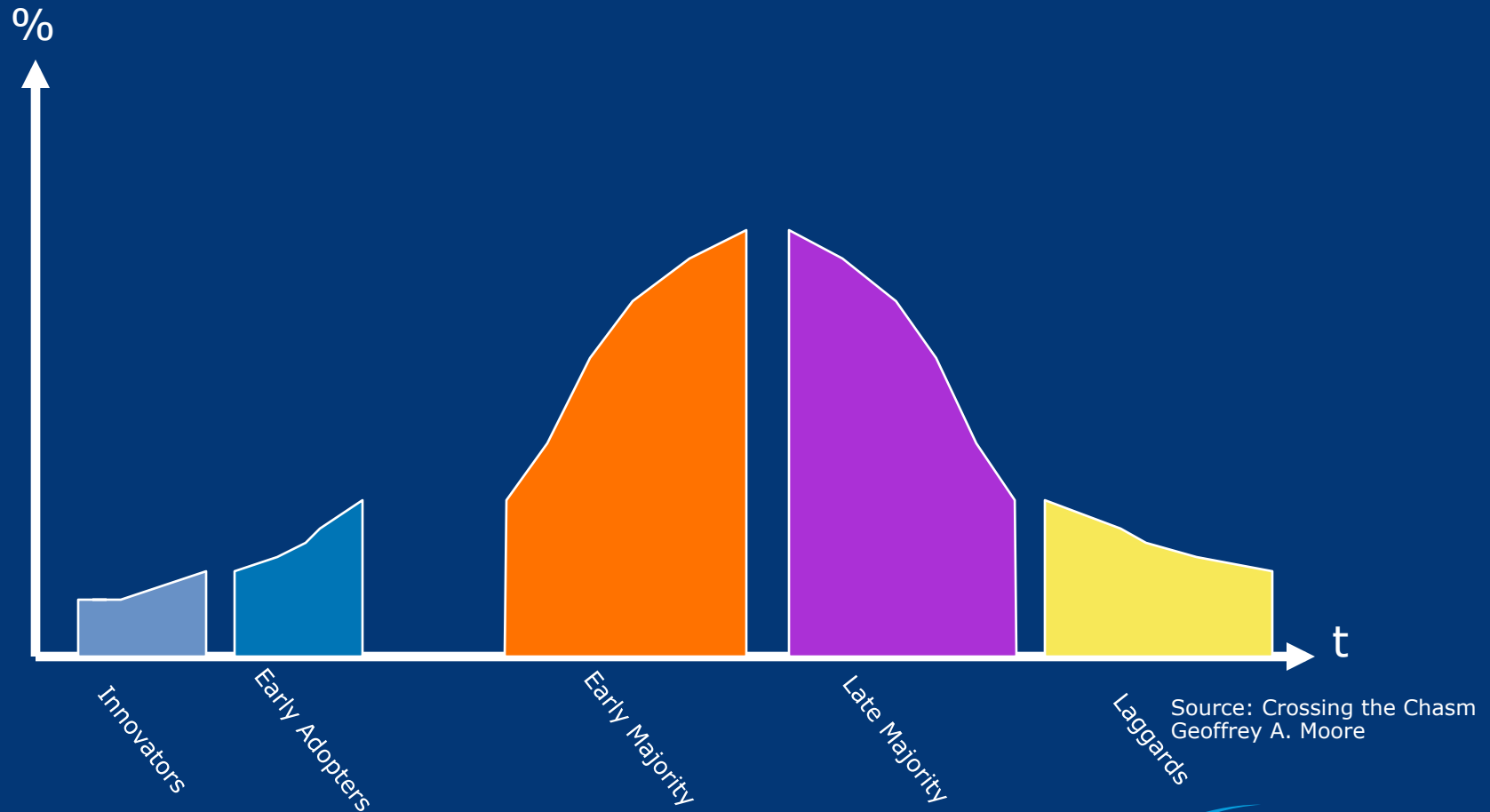
The (revised) Technology Lifecycle Adoption Curve



# Illusion and Disillusion

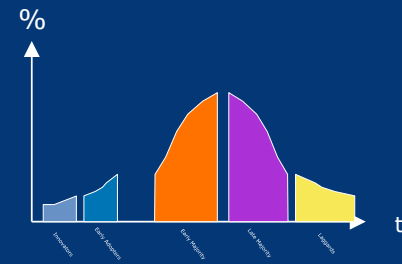
## Cracks in the Bell Curve

The (revised) Technology Lifecycle Adoption Curve



# Illusion and Disillusion

## Cracks in the Bell Curve



The (revised) Technology Lifecycle Adoption Curve

As you can see there are some cracks in the curve

Between any of the previously discussed groups there has been a GAP introduced.

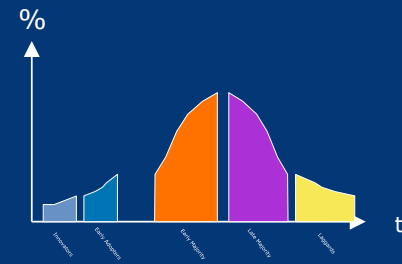
This symbolizes the dissociation between the two groups...meaning the difficulty a group will have in accepting a new product if it is presented in the same manor as it was in the group to the immediate left.

Source: Crossing the Chasm  
Geoffrey A. Moore



# Illusion and Disillusion

## Cracks in the Bell Curve



The (revised) Technology Lifecycle Adoption Curve

Going from left to right in the revised Technology Lifecycle Curve means first identifying if that „crack“ can be overcome..i.e. Can the Product serve the needs of the new target group or is it as simple as endorsement ( „Ideal Model“).

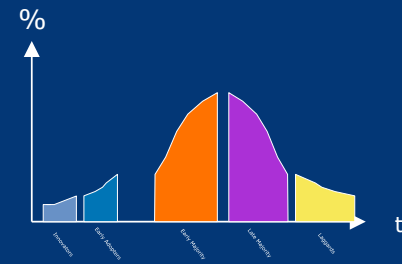
But then there is the Mega-Crack, the CHASM. This is by far the most unforgiving transition and it is all the more dangerous as it typically goes unrecognized.

Source: Crossing the Chasm  
Geoffrey A. Moore



# Illusion and Disillusion

## Cracks in the Bell Curve



The (revised) Technology Lifecycle Adoption Curve

The reason this transition can go unnoticed is that with both groups (Early Adopter and Early Majority) the customer list and size of the orders can look the same.....

but the basis for the sale – what has been promised, implicitly or explicitly, and what must be delivered is radically different.

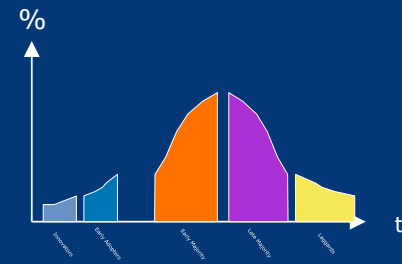
The Early adopter is looking for a jump on the competition, the Early Majority looking for a productivity improvement (evolution versus revolution)

Source: Crossing the Chasm  
Geoffrey A. Moore



# Illusion and Disillusion

## Cracks in the Bell Curve



The (revised) Technology Lifecycle Adoption Curve

For Technology Products its important to realize there is a lot of emotion and opinion.

While its „easy“ to find the innovators, getting to the early market can be extremely difficult. Something we will be addressing in the next chapter.

Also to consider:

Innovators	~ 1/27 of the market
Early Adoptors	~ 2/27 of the market
Early Market	~ 1/3 of the market
Late Market	~ 1/3 of the market
Laggards	~ 2/9 of the market

Which markets do you want ?

Source: Crossing the Chasm  
Geoffrey A. Moore



# Presenting for Success





# Presenting for Success

Why do we Present at all ?

- 1.To exchange information
- 2.To get formal approval
- 3.A combination of the above



# Presenting for Success

## Why are so many presentations unsuccessful ?

### Top 10

- We Underestimate the audience
- Too much detail
- No clear message
- No clear intent
- Foils too cluttered
- Presentation not structured
- not enough presenter power
- Weak presentation skills
- Content and timeslot not in sync
- Hostility in the room



# Presenting for Success

Lets sort those between „content“, „structure“ and „people“.

Content:

1. Too much detail
2. No clear message
3. No clear intent

Structure

1. Foils too cluttered
2. Presentation not structured
3. Content and timeslot not in sync

People

1. Hostility in the room
2. We Underestimate the audience
3. not enough presenter power
4. Weak presentation skills



# Presenting for Success

## Content:

1. Too much detail
  - Probably #1 issue. We try to bring the audience up to our understanding within the presentation. That's not possible.
  - Focus on conveying the idea at a level that doesn't need that much detail.
2. No clear message
  - How many presentations have you heard where you got information but not a message ?
  - We need to have a crystal clear message in the presentation.
3. No clear intent
  - How many presentations have you heard where at the end you were asking yourself why is this person presenting at all ?
  - The audience needs to know why you are here and why they are spending their time with you.



# Presenting for Success

## Structure

1. Foils too cluttered
  - 42 bullits on one page ?
  - Are people reading rather than listening
  - Try to stick to 4-5 main bullits per slide.
  - „Use builds“ if you like, it keeps the audience from reading ahead.
2. Presentation not structured
  - How many presentations have you seen that were structured like a research document ?
  - Very clearly AND CRISPLY structure your presentation (examples later)
3. Content and timeslot not in sync
  - Always be aware of the time you have, create the presentation around the timeslot. 60% content 40% Q&A and be able to be flexible.
  - I have often had to reduce a 30 minute presentation to a 15 minute presentation. Sometimes that doesn't work.



# Presenting for Success

## People

1. Hostility in the room
  - You may be in a hostile environment with peer groups or even those to whom you are directly presenting to.
  - If you know who will be there and know they are not in favor of what you are presenting, try to get them offline ahead of the presentation and try to win their buy-in or at least fair playing ground.
2. We underestimate the audience
  - to often we try to educate the audience.
  - We need to inform them and if we need support ask for it
3. not enough presenter power
  - This is a learnable skill that needs excersize. We will !
4. Weak Presentation skills
  - This is a learnable skill that needs excersize. We will !



# Presenting for Success

Structure Example:

Intent (use Elevator Pitch)

Vision

Opportunity at hand

Objective

Status

Issues

Recommendations

Q&A

Backup



# Example:

## Intent (Elevator Pitch):

For \_\_\_\_\_ (customer)  
who \_\_\_\_\_ (need)  
the \_\_\_\_\_ (Product)  
is a \_\_\_\_\_ (Description)  
that \_\_\_\_\_ (Benefit)  
unlike \_\_\_\_\_ (competition)  
our Product \_\_\_\_\_ (differentiation)





# Example:

Our Vision is to create a machine that can convert  $\text{CO}_2$  into its components C and  $\text{O}_2$  at a huge industrial level while binding C into other compounds and releasing  $\text{O}_2$  back into the atmosphere.

The Opportunity at hand is to create this fabulous machine which will have worldwide positive impact and demand while making a significant profit.



# Example:

Our Objectives Are:

1. To create a prototype by xx.xx.xx
2. Acquire a patent
3. Prove with this prototype that the vision is viable and can be done at huge industrial level
4. Achieve next level VC funding of xxM\$
5. Get orders for 10 such Oxygen plants
6. Do an IPO



# Example:

Our Status is:

1.To create a prototype by xx.xx.xx

We have designed the product and have purchased the BOM.

....

....



# Example:

## The Issues are:

1. prototype will have only 80% of calculated efficiency.

This can be solved, but needs a redesign of component xyz

....

....



# Example:

## Recommendations are:

1. Receive xxM\$ to finalize prototype and file for patent
2. Hire....
- ....



# Example:

## Q&A



# 6. Communication Channels

# 6. Communication Channels



CH 1: PRESENTATION

CH 3: EYES

CH 4: EARS

CH 2: VOICE

CH 7: BODY

CH 6: RIGHT HAND

CH 5: LEFT HAND



CHANNEL	IN	OUT
PRESENTATION		✓
VOICE		✓
EYES	✓	✓
EARS	✓	
LEFT HAND		✓
RIGHT HAND		✓
BODY		✓



# Case studies on Presentation skills:

- Harmony
- World of Good
- 10 most popular lies



# Implementing into your Business Plans

## HOMEWORK

**Implement into your Business Plan Presentations for tomorrow.**



# Coaching / Feedback

Business Plan Presentations

Peer Feedback (only positive)

Video Feedback

Your own Feedback



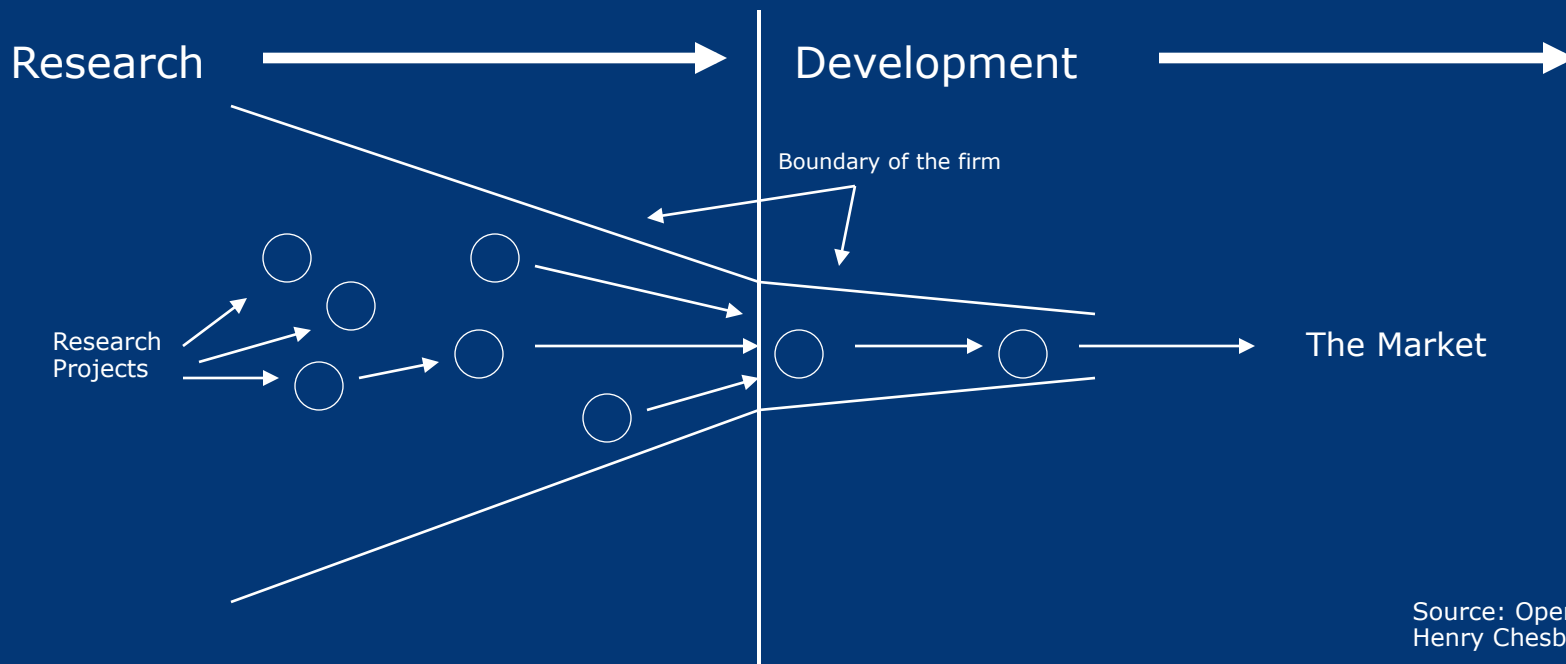
# 5. Open/Closed Innovation and the Innovator's Dilemma

Recommended Literature:  
Open Innovation  
Henry Chesbrough  
ISBN 1-57851-837-7

# Open Innovation (Intro)

Obviously, talking about Open Innovation, there must be something like „Closed Innovation“.

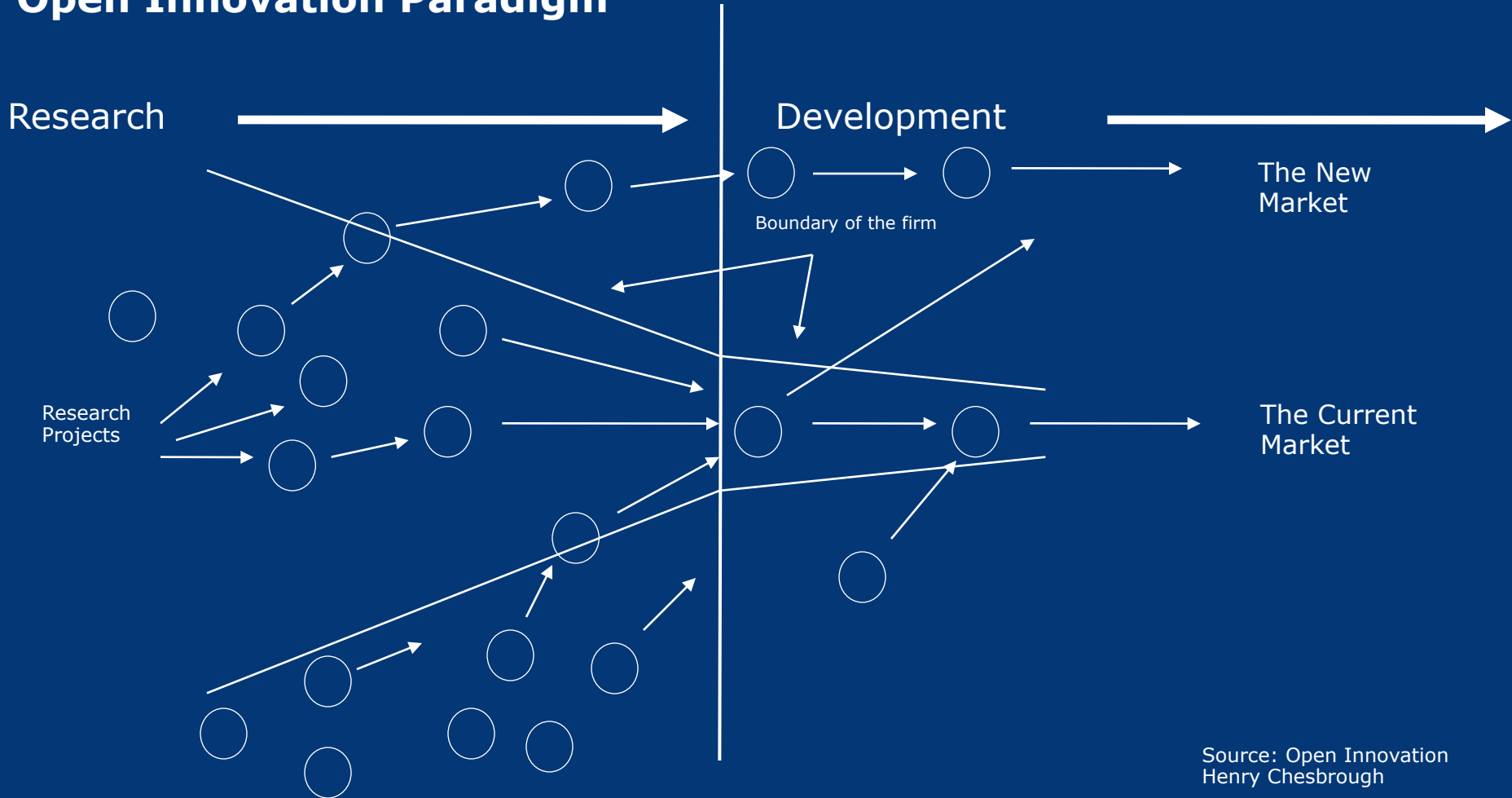
So lets first cover the „**Closed Innovation Paradigm**“



Source: Open Innovation  
Henry Chesbrough

# Open Innovation (Intro)

## Open Innovation Paradigm



Source: Open Innovation  
Henry Chesbrough

# Open Innovation (Intro)

## Comparison: Closed / Open Innovation:

- |  |   |
|--|---|
| •Examples of Industries:<br>nuclear reactors,<br>mainframe computers | •Examples of Industries:<br>PCs, movies |
| •Largely internal ideas  | •Many external ideas                    |
| •Low Labor mobility  | •High Labor mobility                    |
| •Little VC   | •Active VC                              |
| •Few, weak start-ups   | •Numerous start-ups                     |
| •Universities unimportant  | •Universities very<br>important         |

Source: Open Innovation  
Henry Chesbrough

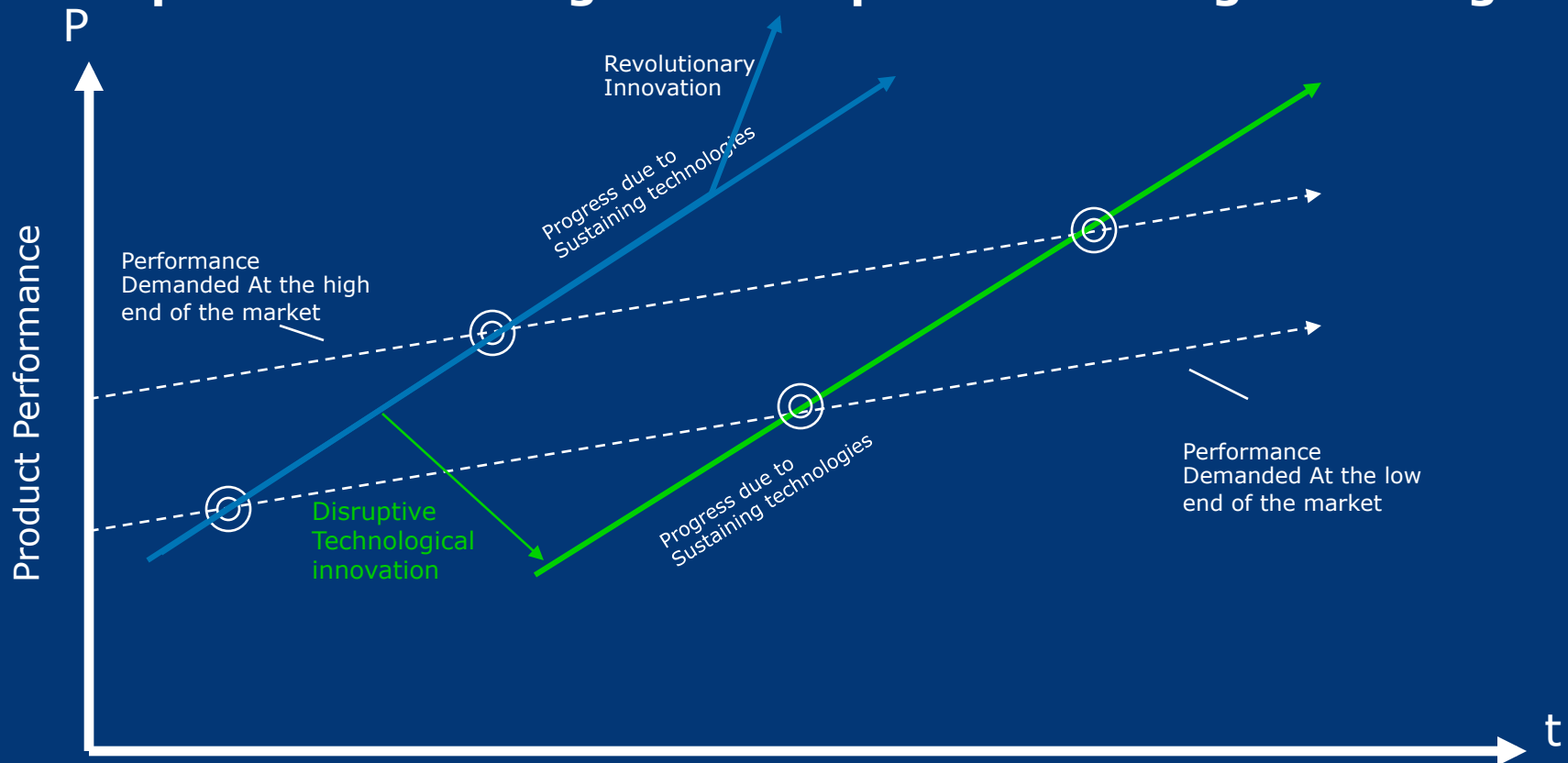
# 5. The Innovator's Dilemma

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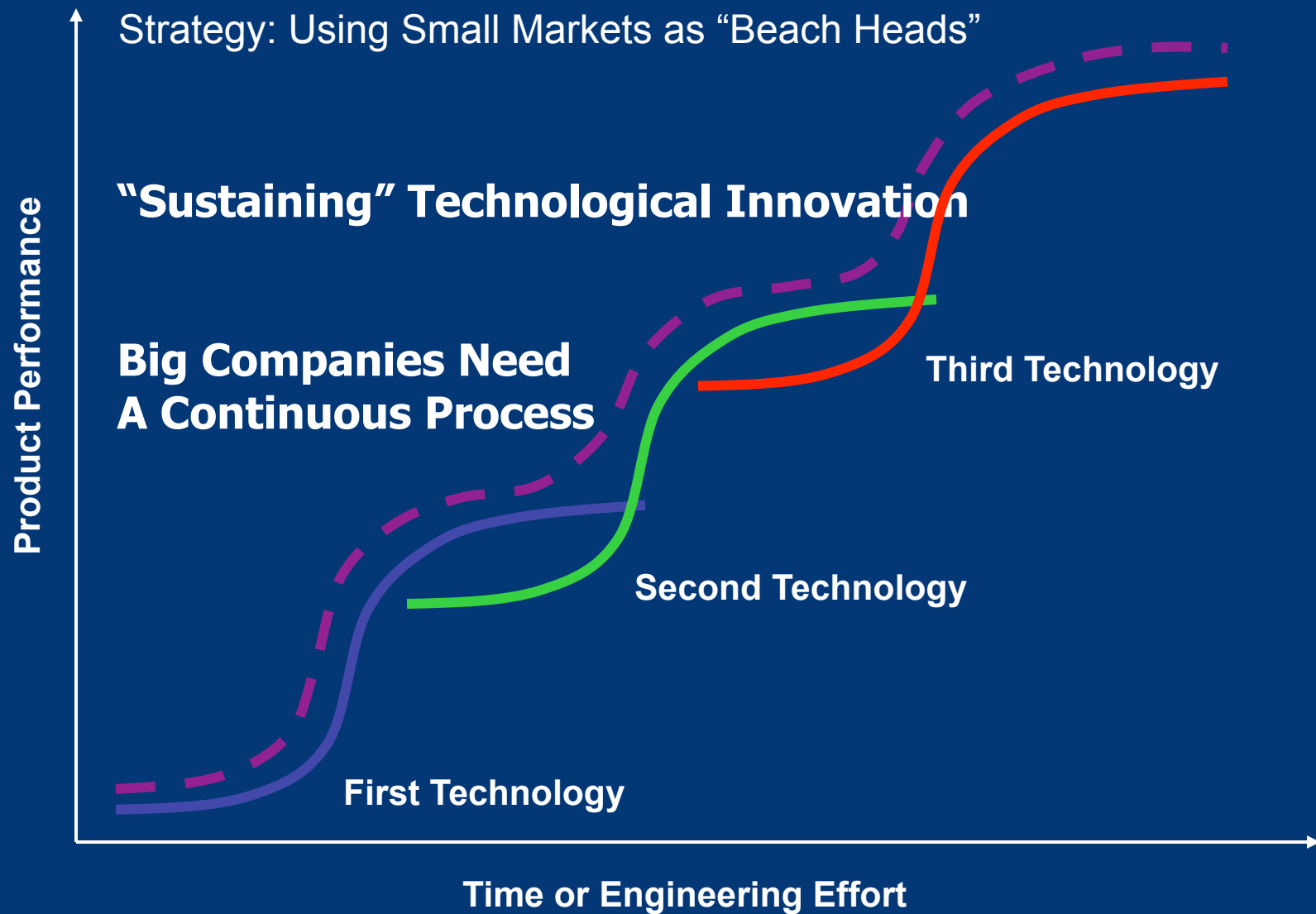


# The Innovators Dilemma (Intro)

## The Impact of Sustaining and Disruptive Technological Change



Source: The Innovator's Dilemma  
Clayton M. Christensen



Source: Clayton M. Christensen, "Exploring the Limits of the Technology S-Curve. Part I: Component Technologies," *Production and Operations Management* 1, no. 4 (Fall 1992): 340. Reprinted by permission.

# Strategy: Using Small Markets as “Beach Heads”

Performance as Defined in Application “A”

## Application (Market) “A”

Disruptive Technology takes over the larger established market!

New entrant dominates

Older BIG company playing catch-up

Technology 1

Performance as Defined in Application “B”

## Application (Market) “B”

Technology 2

Disruptive Technology

- new market niche
- small markets
- small companies

Time or Engineering Effort

Source: Clayton M. Christensen, “Exploring the Limits of the Technology S-Curve. Part I: Component Technologies,” *Production and Operations Management* 1, no. 4 (Fall 1992): 361. Reprinted by permission.

# 7. Smart business models ?

- How to become the next Facebook, Google, etc. ???
- If this was a pure science and any of us new the exact formula, we wouldn't be here...
- Much of that is a function also of the right product at the right time and (besides greatness) tons of luck....
- Larry and Sergey first failed with their strategy to offer a new search algorithm to Yahoo.... (I wonder if that Yahoo employee who turned it down is still there ??)
- Or look at the Intel founders Robert Noyce and Gordon Moore, they left Fairchild to follow their passion !!

# Smart business models ?

- Follow your passion !! Being passionate about your new business will help you survive 😊
- Create your new venture as “global born”. Focusing initially on a local market is fine, but don't lose sight of the global opportunity
- Know and understand your customers !!!
- Know and understand your market !!!
- Focus on YEAR ONE !! Get that right.
- Have several exit strategies already when you start.
- Work with global enablers like 

Your path to success !!!



# Backup

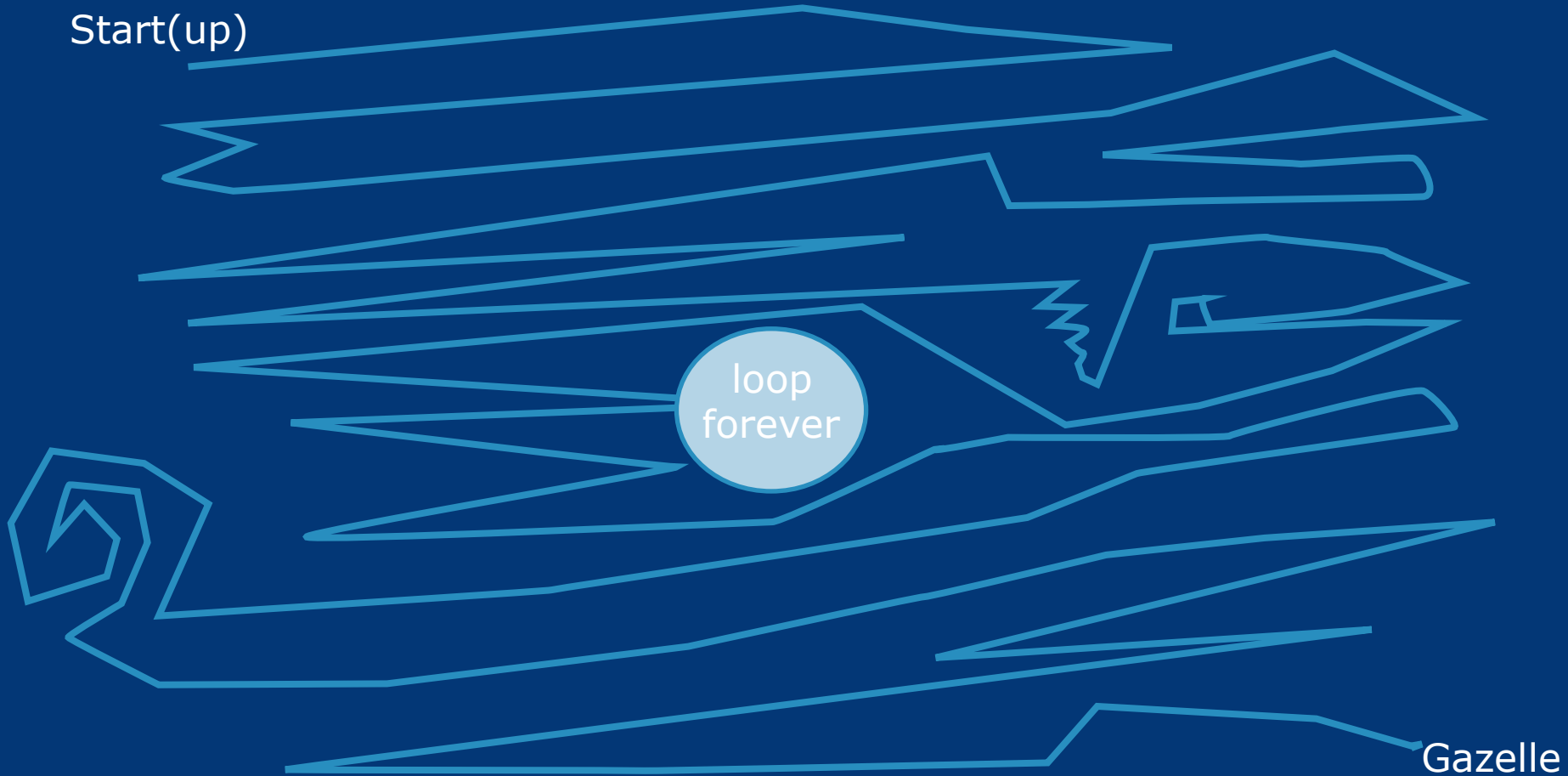


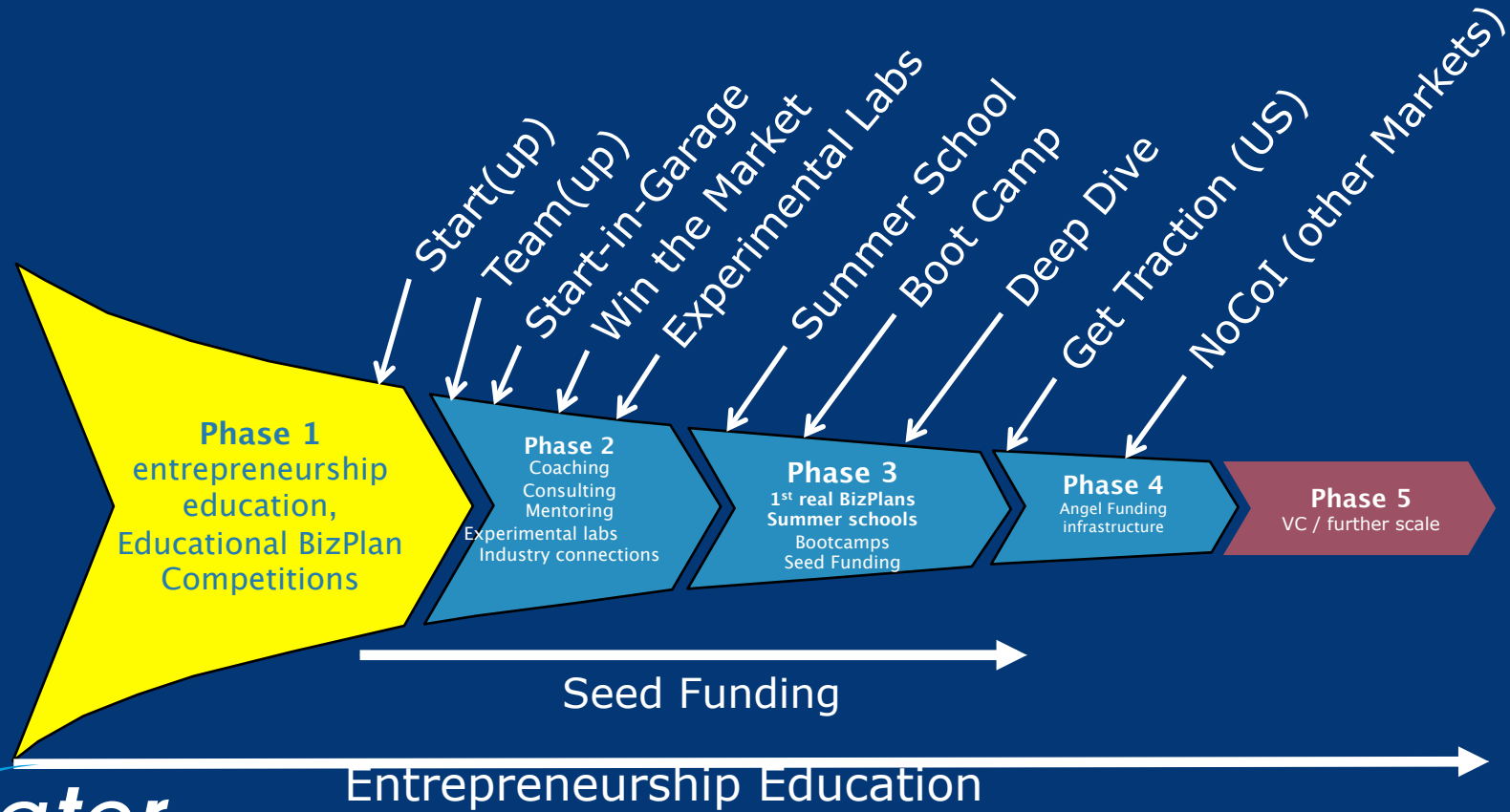


So what is the shortest path for a new venture ?

## The Path (Trail) to New Ventures

Start(up)





▼ Educational Process

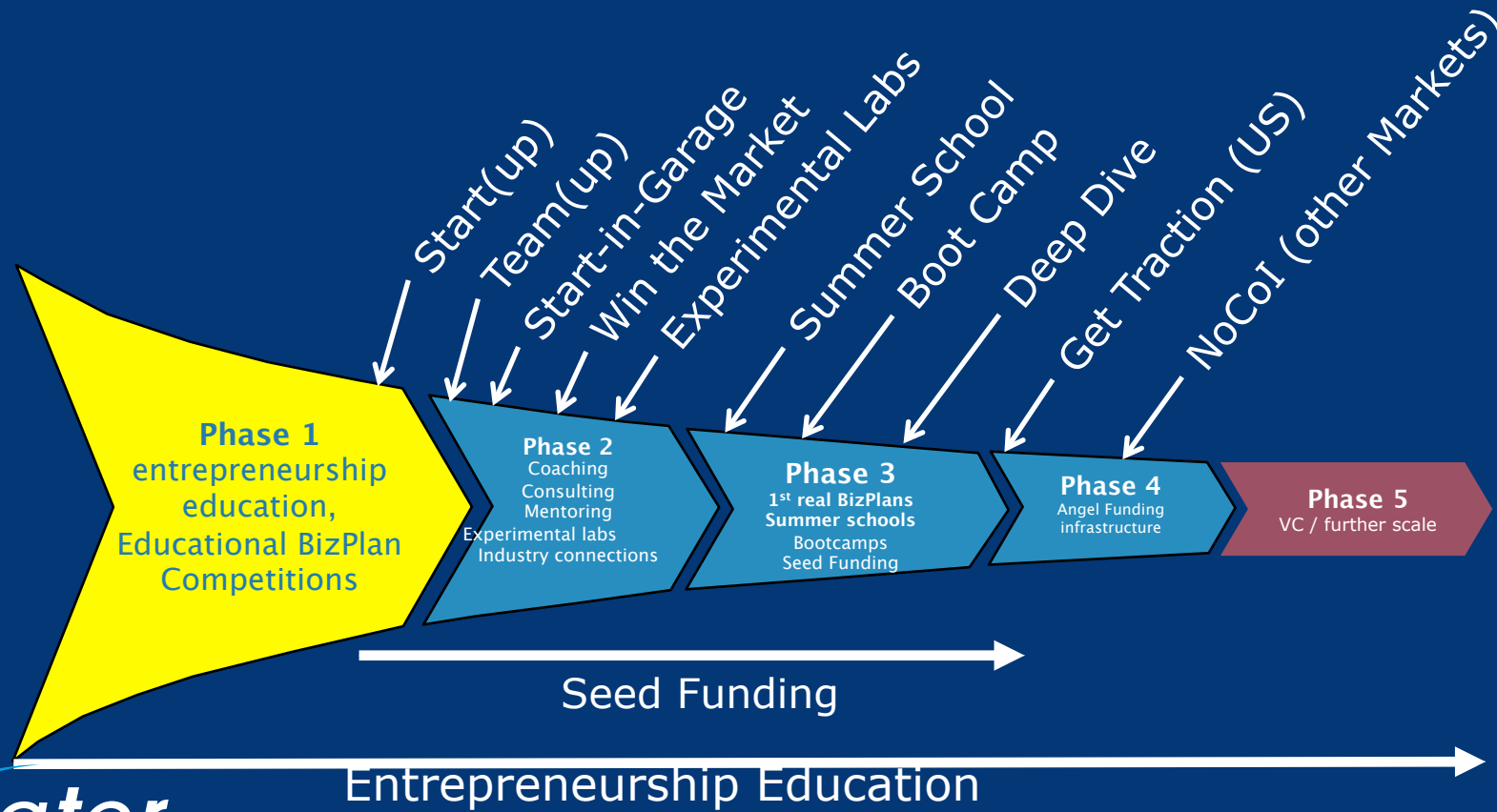
▼ Real-life practice

▼ Real companies

Services

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▼  
Educational  
Process

▼  
Real-life  
practice

▼  
Real  
companies




Services

# InnoVaventures Global Network of Experts



# InnoVaventures Network of



-  -in negotiation (Phase I)
-  -planned (Phase II)
-  -planned (Phase III)



# Network of Global Clusters of Innovation



# The Four Steps to the Epiphany ...continued



Recommended Literature:  
The Four Stepd to the Epiphany  
Steven Gary Blank  
ISBN 0-9764707-0-5



# The Four Steps to the Epiphany Customer Discovery

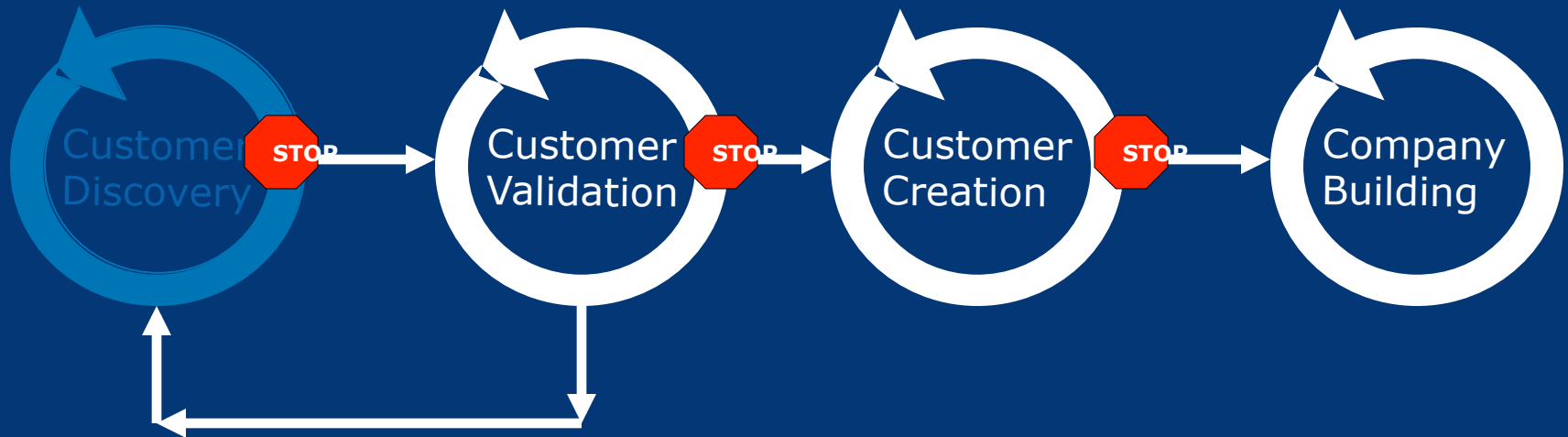




# The Four Steps to the Epiphany



## Customer Discovery



It all starts with a VISION:

- of a new Product
- of the distribution model
- of why lots of people will buy the product

....but these are just guesses

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



## Customer Discovery

To turn the vision into reality a startup must:

Test those guesses, hypotheses , prove them correct

Get in-front of customers, but don't:

- try to understand all their needs or wishes
- try to make a feature list from their input
- hand your engineers all the features customers have requested
- run focus groups to test customers reaction to your Product

Instead, you develop your Product for the few, not the many.  
Build a Prototype (even before you have customers)

Sound backwards ?

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



## Customer Discovery

The traditional product management and marketing Process is rational for an established company entering an existing market.

No startup can afford the engineering effort or time needed to build all the features a mainstream customer would want into the first product release.

Focus on a very small group of early corporate or consumer customers that have bought into your vision.

These small groups will give you the feedback needed.

Also these Enthused Customers can become Earlyvangelists

Source: The Four Steps to the Epiphany  
Steven Gary Blank

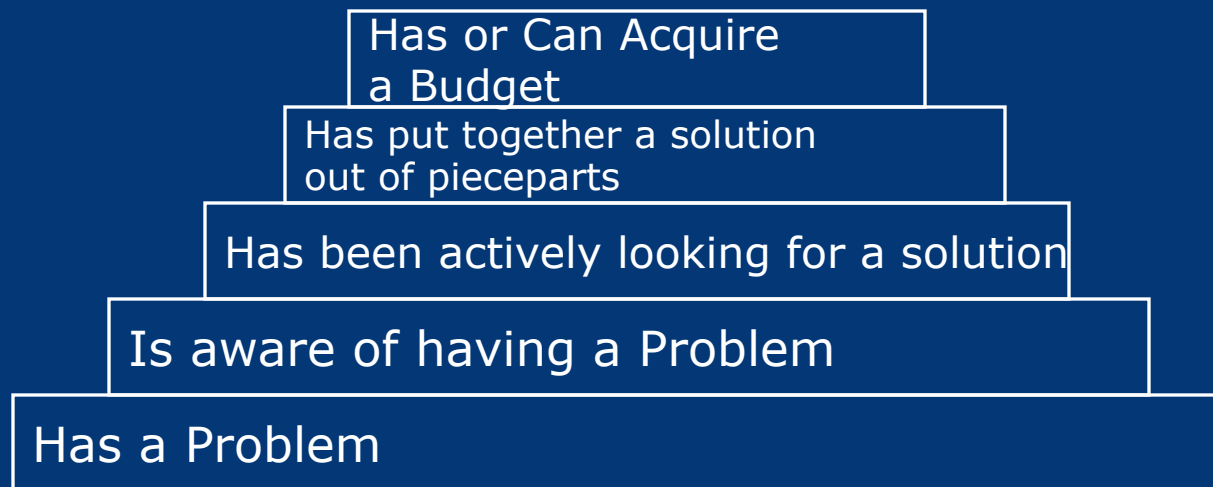


# The Four Steps to the Epiphany



Customer Discovery

## Earlyvangelists



The most important Customers you will ever know !

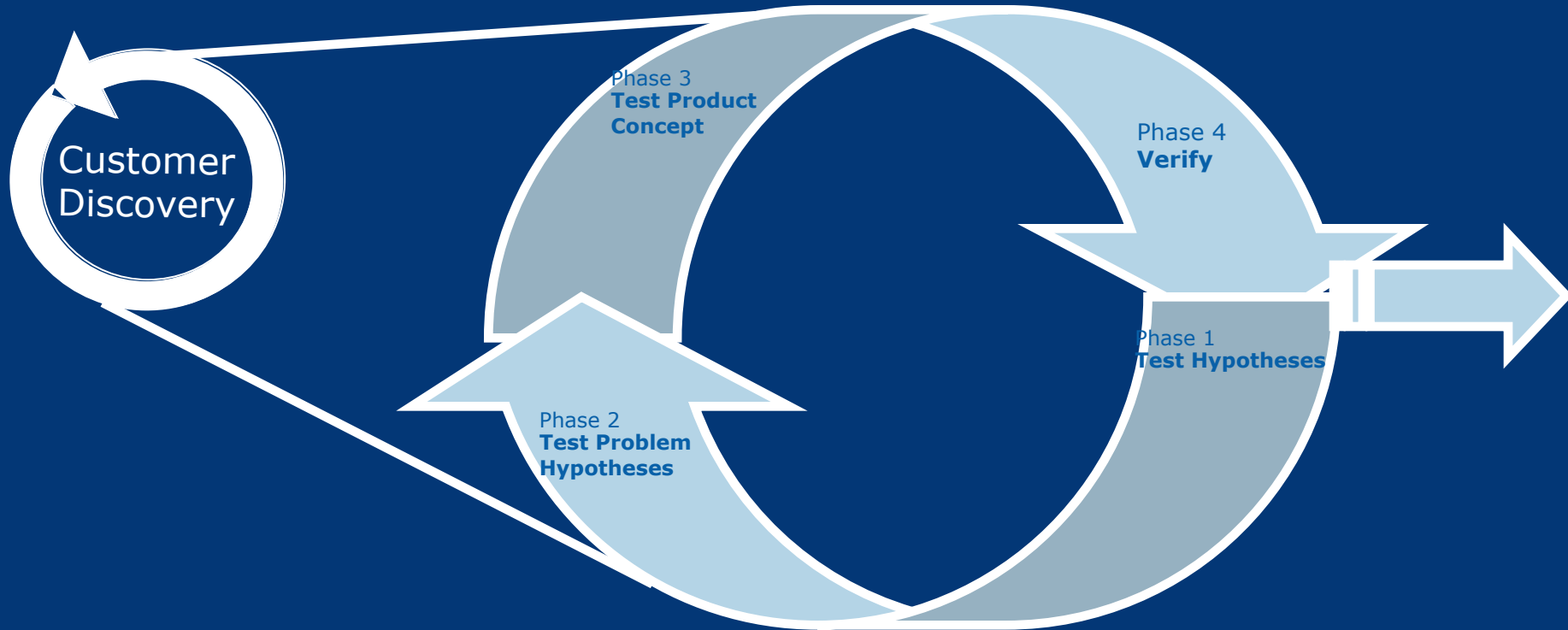
Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Discovery



Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Discovery  
Phase 1: State your Hypotheses



Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Discovery

Phase 1: State your Hypotheses



Product Brief:

- Product features (1 page, 10 top features)
- Product Benefits (new ?, better ?, faster ?, cheaper ?)
- Intellectual property (unique ?, patentable ?, need other's IP ?)
- Dependency analysis (here is what has to happen that is out of control)
- Product Delivery schedule (feature schedule, FCS, future releases)
- Total cost of ownership / adaptation (cost of customers of buying/ using the product)

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Discovery  
Phase 1: State your Hypotheses



Customer Brief:

- Types of Customers (Users, influencers, recommenders, Economic Buyer, Decision maker)
- Customer Problems (...solve his problem with your product...)
- A day in the life of your customers (how does your customer „work“, how will your product effect that)
- Organizational and customer influence map
- ROI (Return on Investment) justification
- Minimum feature set

Source: The Four Steps to the Epiphany  
Steven Gary Blank





# The Four Steps to the Epiphany



Customer Discovery  
Phase 1: State your Hypotheses



Channel Brief:



# The Four Steps to the Epiphany



Customer Discovery  
Phase 1: State your Hypotheses



Demand Brief:

•How will you create demand that drives customers into the channel you have chosen ?

- Advertising ?
- Public Relations ?
- Retail promotions ?
- Spam ?
- Website ?

- Word of mouth ?
- Seminars ?
- Telemarketing ?
- Partners ?
- Influencers ?

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Discovery  
Phase 1: State your Hypotheses



Market Brief:

	Existing Market	Resegmented Market	New Market
<b>Customers</b>	Existing	Existing	New/New Usage
<b>Customer Needs</b>	Performance	1. Cost 2. Perceived Need	Simplicity & Convenience
<b>Performance</b>	Better/Faster	1. Good enough at the low end 2. Good enough for new Niche	low in "traditional attributes", improved by new customer metrics
<b>Competition</b>	Existing Incubents	Existing Incubents	Non-consumption / Other startups
<b>Risks</b>	Existing Incubents	1. Existing Incubents 2. Niche Strategy fails	Market adoption

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Discovery  
Phase 1: State your Hypotheses



Competitive Brief:

- What competitive features does my product have ?
- What Market share do others have ? (largest < 30% or 80%)
- What is the basis for competition ? (product attributes, service, new usage model)
- Who are your competitors today ? In features ? In performance, in channel ? In price ?
- Winning startups understand why customers buy !! Losers never do !!

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Discovery  
Phase 2: Test your Hypotheses



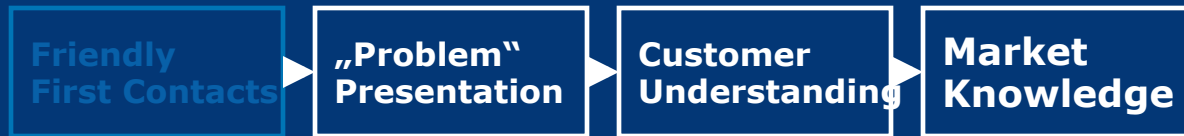
Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



## Customer Discovery Phase 2: Test your Hypotheses



- Make a list of 50 potential customers you can test your ideas on.
- Get them from friends, investors, founders, lawyers, recruiters, trade magazines, business books, any source you can think of.
- Look for the innovators (company or department)
- Use these contacts to build your network !! Ask: „Who is the smartest person you know ?“
- Get a referral, find someone to help you „get-in-the-door“
- The best introduction is through a peer in the same organization.
- The first 50 contacts should yield 5-10 scheduled visits

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Discovery  
Phase 2: Test your Hypotheses



List of Problems	Today's solutions	Your company's Solution
1.	1.	1.
2.	2.	2.
3.	3.	3.

- Present what you understand as your customers current Problems.
- Pause and ask if this is the right list ? Anything missing ?, Are the priorities right ? This is GREAT FEEDBACK !!!! LISTEN !!!! (This is what your product should solve)
- Now Do the same with „Today's Solutions“ ...LISTEN (this is your competition)
- Finally display your solution (THE BIG PICTURE).

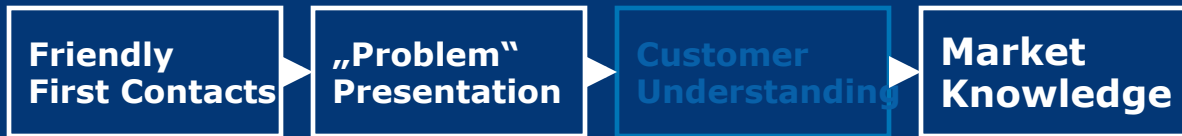
Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Discovery  
Phase 2: Test your Hypotheses



- Understand your Customer's Job/workflow
- How do they interact with other departments, other companies (next potential customers !)
- What would make your customer change the current way they do things ? (Price ?, Features ?, a new standard ?...)
- Ask: If you had a product like this (describe yours) what percentage of your time would you be using it ? Is it mission critical ? Nice to have ?
- Become an expert in your customer's field / Problems.

Source: The Four Steps to the Epiphany  
Steven Gary Blank





# The Four Steps to the Epiphany



Customer Discovery  
Phase 2: Test your Hypotheses



Use your network to answer:

- What are the industry trends ?
- What are key unresolved customer needs ?
- Who are the key players in the market ?
- What should I read ?
- Who should I know ?
- What should I ask ?
- What customers should I call on ?

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Discovery  
Phase 3: Test Product Concept



Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Discovery  
Phase 3: Test Product Concept



## First Reality Check:

- Go back to those „qualified“ 5-10 customers
- Invite as much company management as you can get (not just VPs, but directors and managers)
- Reflect with them what is your understanding of their problems, workflow etc
- If you LISTEN you will learn again a lot about your customer.
- Are you in sync with them or orthogonal ?
- How well does your „envisioned product“ solve their problems ?
- Totally ? Not at all ? Do you need a new product Definition or new customers ?
- Define the MINIMUM first feature set for first release (not new features!)

Source: The Four Steps to the Epiphany  
Steve Blank



# The Four Steps to the Epiphany



Customer Discovery  
Phase 3: Test Product Concept



## Product Presentation:

- Start again from scratch !
- The goal of the presentation is to test your revised assumptions about the product itself.
  - Reconfirm your product will solve a serious customer problem
  - Validate your product and features
- Develop a solution oriented presentation that describes the product in terms of solving the customer's problem.
- Draw the customer's workflow describing:
  - Life before your product
  - Life after your product
- Leave away all the marketing fluff and detail the entire future of the product at least 18 months out, broken down into features by release.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Discovery  
Phase 3: Test Product Concept



## More Customer Visits:

- Just as in Phase 1 go do the 50/10 approach
- Target CIO and VPs of branch operations
- Describe what problem your product is designed to solve.
- Describe why your company believes it is important to solve that problem
- Demo your product (even only certain parts) to help understand your solution or go through the 5 (no more) key features.
- No more than 20 minutes
- Ask them is the feature and role out fit their needs, what features on day one, in 18 months, what does a complete product look like ?
- Ask the customer how they think your product is different ? (New market, Existing market ?)

Source: The Four Steps to the Epiphany  
Steve Blank



# The Four Steps to the Epiphany



Customer Discovery  
Phase 3: Test Product Concept



## Second Reality Check:

- Coming back with more customer feedback you can now start to sort the reactions:
  - The customers love our product, no changes needed ?
  - Customers like our product, but we have heard consistantly that they want this or that feature at first customer shipment.
  - The customers can understand our product after a long explanation, but no one was jumping up and down to buy it.
  - The customers didn't see a need for our product.
- As a startup your goal should be to be „fast to market“ implying getting your first release to paying customers as quickly as you can.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Discovery  
Phase 3: Test Product Concept



1st Advisors:

- During your customer visits you should think of who might be a potential advisor on your board.
- Advisors can help solve technical problems, introduce you to key customers, provide you with domain specific know-how and share business expertise and wisdom.
- In Customer Validation the advisory board process will be formalized.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Discovery  
Phase 4: Verify



Source: The Four Steps to the Epiphany  
Steven Gary Blank





# The Four Steps to the Epiphany



Customer Discovery  
Phase 4: Verify



Verify the Problem:

- Summarize everything you have learned about the problem
- Check whether you have the problem nailed or need another loop
- Capture what you have learned in a clear, precise Problem statement document
- Are you confident that you have nailed a customer problem that people are willing to pay to solve ?
- If yes, Proceed, if not loop again.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Discovery  
Phase 4: Verify



Verify the Product:

- Summarize everything you have learned about „your product“
- Verify first release features, subsequent release features, pricing, channel etc.
- Capture what you have learned in a clear, precise Expanded Product requirement Document.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Discovery  
Phase 4: Verify



## Verify the Business Model:

- You understand the customer's problem
- You've nailed the product features
- Your product vision matches customer needs
- Now you need to re-run the financial model resulting in:
  - An Updated sales and revenue plan
  - A sound business and product plan.
- These will include data such as projected selling price, # of units in 3 years, lifetime value of each customer, channel and cost, length of sales cycle, third party support needed, direct support, cost per customer, cost to acquire a customer, market size, new/existing market and consequences, development costs: FCS, vision, manufacturing costs, partners etc etc.
- At the end you should know if the business will be profitable enough for your needs

Source: The Four Steps to the Epiphany  
Steve Blank



# The Four Steps to the Epiphany



Customer Discovery  
Phase 4: Verify



## Iterate or Exit:

- Have we identified a problem a customer wants solved ?
- Does our product solve these customer needs ?
- If so, do we have a viable and profitable business model ?
- Can we draw a day in the life of our customer, before and after the purchase of our product ?
- Can we create an organizational chart of users, buyers and channels ?
- Keep all customer data you have acquired, it will be helpful in the next phase.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



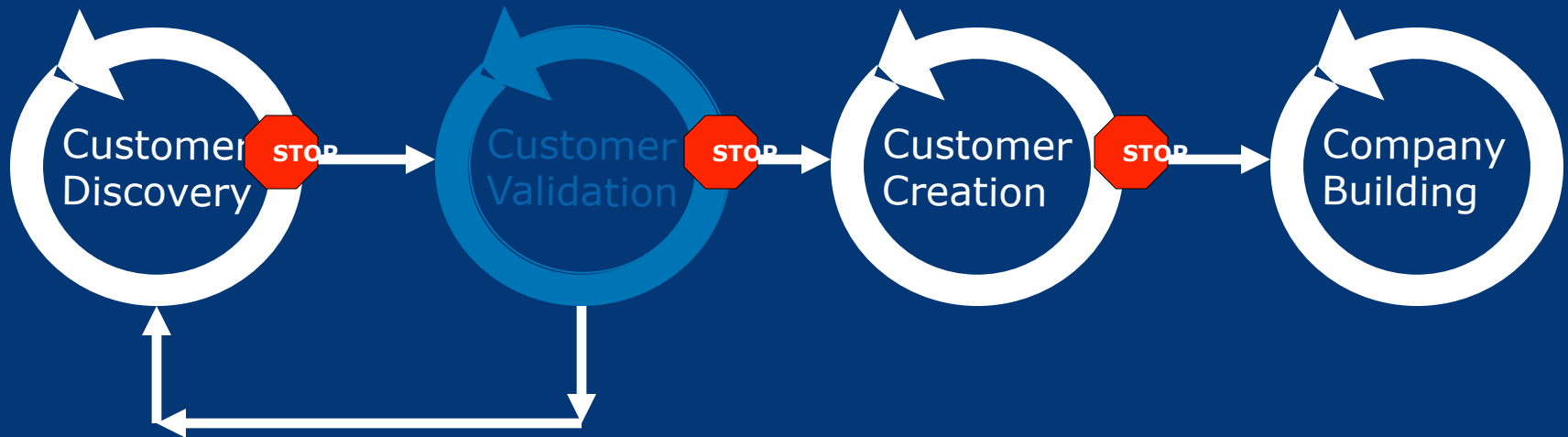
# The Four Steps to the Epiphany Customer Validation



# The Four Steps to the Epiphany



## The Customer Development Model



### Customer Validation:

Build a repeatable sales road map for sales and marketing teams that will follow later.

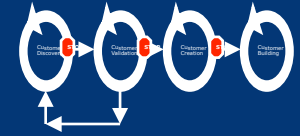
Customer validation proves you have found a set of customers and a market who react positively to the product (by buying it).

Find a group of repeatable customers with a repeatable sales process that equal a profitable business model.

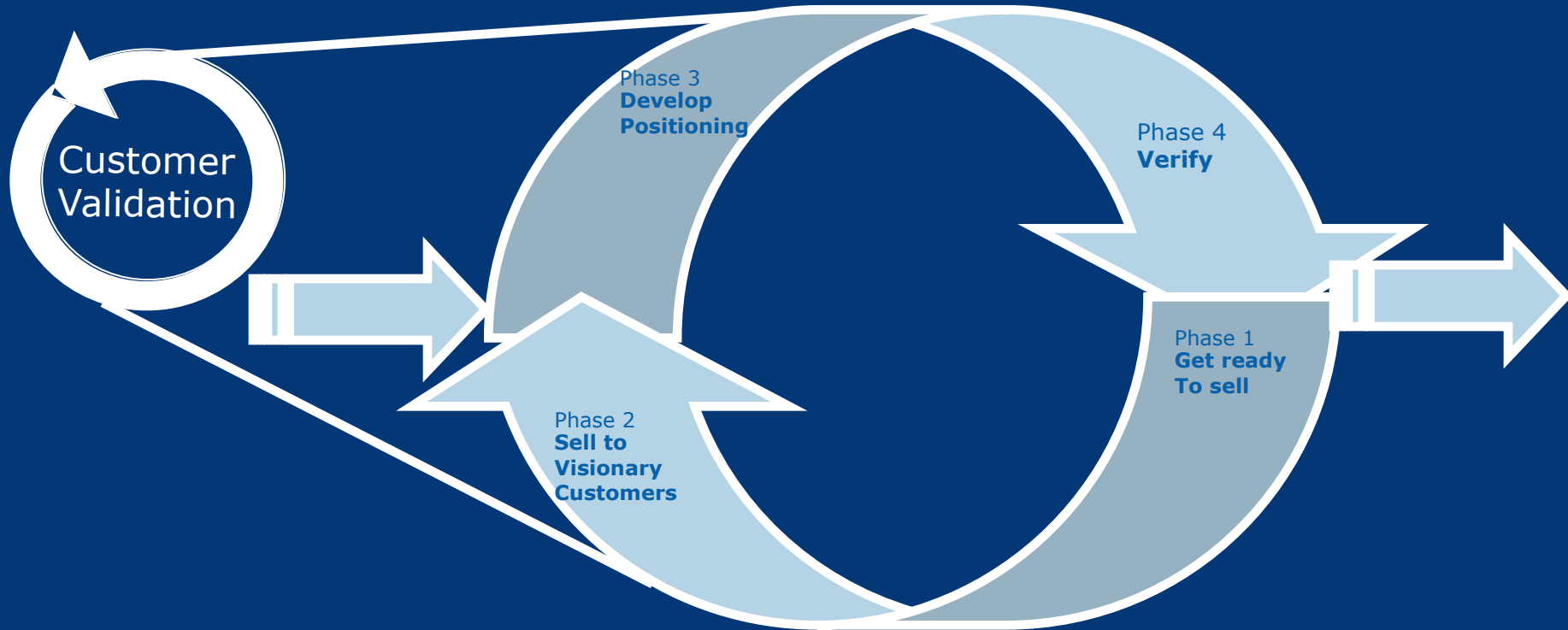
Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



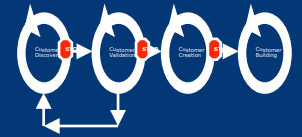
Customer Validation



Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Validation

Phase 1: Get ready to Sell



Source: The Four Steps to the Epiphany  
Steven Gary Blank





# The Four Steps to the Epiphany



Customer Validation  
Phase 1: Get ready to Sell



Articulate a value proposition:

- What does your company stand for ?
- What does your Product do ?
- Why should the customer care ?
- Can you reduce your business into a single clear compelling message ?
- This is the first step to the „elevator pitch“
- The VISION needs to be credible...“cuts costs by 50%“ need to be proven...

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Validation  
Phase 1: Get ready to Sell



Prelim Sales & Collateral Materials:

- First figure out who you want to reach.
- Figure out how they typically retrieve information (web, data sheets, sales presentations, magazines, etc)
- Figure out though which channels this information should be distributed.
- Create materials in the format that best reach those customers.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Validation  
Phase 1: Get ready to Sell



Prelim Distribution Channel Plan:

- The entire customer development process is predicated on developing a repeatable and scalable sales process.
- The elements to build your distribution channel plan are:
  - Channel „food chain“ and responsibility
  - Channel discount and financials
  - Channel management

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Validation  
Phase 1: Get ready to Sell



Prelim Sales Roadmap:

- Your goal is to determine who your true customers are and how they will purchase your product.
- The elements to build your sales road map are:
  - Organization and influence maps
  - Customer access map
  - Sales strategy
  - Implementation plan

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Validation

Phase 1: Get ready to Sell



Hire a sales closer:

- You are not looking for a VP of sales
- You are looking for someone who is:
  - Aggressive
  - wants a great compensation package for success
  - have no interest in building a sales organization
  - love to close deals
  - isn't ready to retire behind a desk

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Validation  
Phase 1: Get ready to Sell



Align Executives:

- Selling a product implies a contractual commitment between the company and a customer on product features, delivery dates, liability.
- Executives need to review and agree on the following:
  - Engineering schedule, product deliverables and philosophy
  - Sales collateral
  - Engineering's role in selling, installation, and post-sales support

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Validation  
Phase 1: Get ready to Sell



Formalize Advisory Board:

- Until now have had advisory support on an informal basis
- Now you need to formally engage the people

	Technical	Business	Customer	Industry	Sales/ Marketing
Why					
Who					
When					
Where					
How many					
How much to pay					

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Validation

Phase 2: Sell to the Visionary Customers



Source: The Four Steps to the Epiphany  
Steven Gary Blank





# The Four Steps to the Epiphany



Customer Validation

Phase 2: Sell to the Visionary Customers



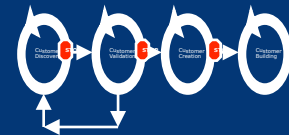
Contact Earlyvangelists:

- During Customer Validation spend your time with true visionary customers, not mainstream customers.
- In Customer Discovery you have identified a number of customers, also probably some of the Earlyvangelist type.
- In this step the rubber meets the road i.e. Your task is to see if you can sell to early visionary customers before your product is shipping.
- Find the 5% that actually will buy in this phase.
- Having a sales closer already on board should help

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Validation

Phase 2: Sell to the Visionary Customers



Sell and redefine Sales Roadmap:

- Can you sell to 3-5 early visionary customers before your product is shipping ?
- You need to find Earlyvangelists that are high-level executives, decision makers and risk takers
- You don't need many, the goal is not to generate a whole lot of revenue, but to validate your sales roadmap.
- While finding customers that are saying YES, more important is to understand why those others are saying NO.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Validation

Phase 2: Sell to the Visionary Customers



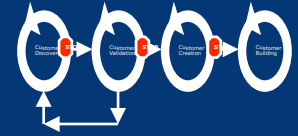
Sell to channel Partners and redefine Channel Roadmap:

- In customer discover you defined a channel strategy
- Now you need to see if you can get a preliminary order or at least a commitment from the channel.
- Having sold the product to Earlyvangelists that can enthusiastically become references will help.
- The questions „why would a customer buy“ can be answered through the discovery and validation you already did.
- Be careful not to mix-up sales to a channel and sales-out

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Validation  
Phase 3: Develop Positioning



Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



## Customer Validation Phase 3: Develop Positioning



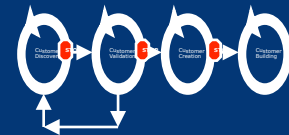
### Product Positioning:

- You do not yet necessarily need a Marketing team to do this.
- Best is customer development team with feedback from product development
- Hmm... am I selling into an existing market, resegmented or a new market
- Depending on that answer your Product positioning will change.
- In an existing market you compete on features, price etc. (incremental improvement)
- In a new market you need to describe what problem your product will solve (transformational improvement)
- In a re-segmented market, is it price or niche ?

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



## Customer Validation Phase 3: Develop Positioning



### Company Positioning:

- Hmmm... am I selling into an existing market, resegmented or a new market
- Depending on that answer your Company positioning will change.
- In an existing market describe how your company is both different and credible
- In a new market, communicate the vision and passion of what could be.
- In a re-segmented market communicate the value of the market segment and the innovation your company brings to it.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Validation  
Phase 3: Develop Positioning



## Present to Analysts & Influencers:

- In customer discovery you probably found analysts and influencers
- The task is now to take your initial positioning and get their feedback and insights
- If you are meeting with analysts understand what market they are specialists in (and only meet with those in your market !!)
- Tell them why your company is going to shake up that market and why your company is so important.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Validation  
Phase 4: Verify



Source: The Four Steps to the Epiphany  
Steven Gary Blank





# The Four Steps to the Epiphany



## Customer Validation Phase 4: Verify



Verify the Product: Show that you have a product that customers will buy and review all the objections and feedback you have been getting and the conclusions you have made.

Verify the Sales Roadmap: summarize everything you have learned and check to see if you have the selling process nailed or whether you need to loop again.

Verify the Channel Roadmap: Now that you have sold through a direct and indirect sales channel, review if your assumptions about the distribution channel were correct or not.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



## Customer Validation Phase 4: Verify



Verify the Business Model: Your product solves customer problems, you believe to have a repeatable, scalable business sales and distribution process, but is the business model profitable ?

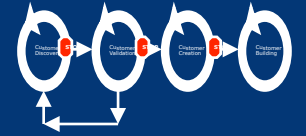
Now that you have real critical variables of your business (how much customers will pay, how much will it cost to sel...etc) , you need to re-run your business model based on these criteria and see if the model is a profitable and viable business model.

Iterate or Exit: The really hard and impactful decision lays here. Do I need to go through phases 1-3 again (lack of understanding of the sales process) ? or all the way back to Customer Discovery ? Or am I confident that everything checks out ?

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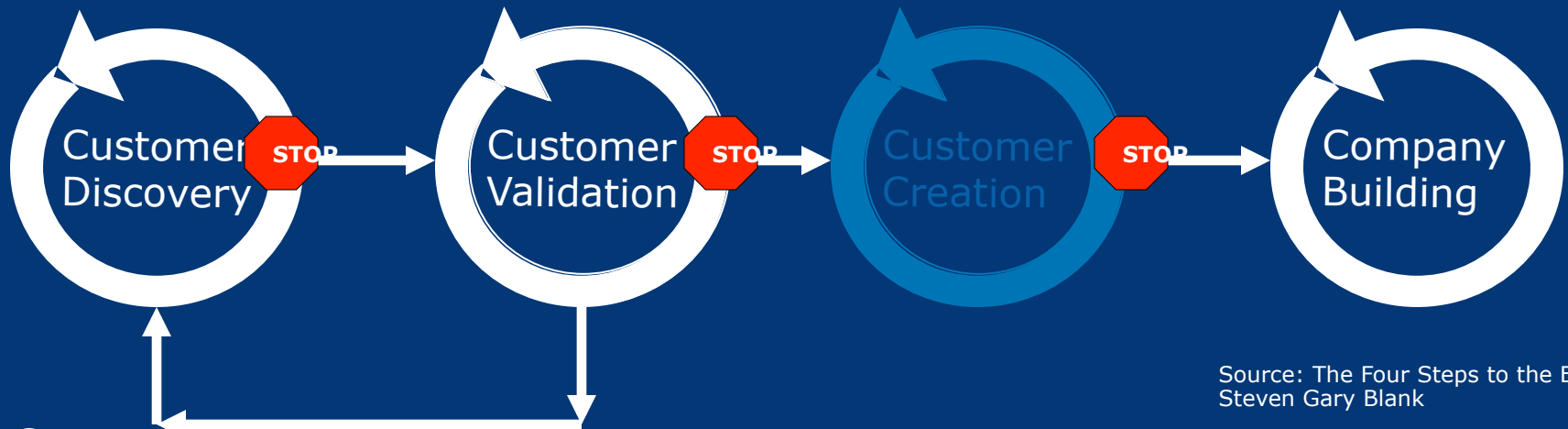
# The Four Steps to the Epiphany Customer Creation



# The Four Steps to the Epiphany



## The Customer Development Model



Source: The Four Steps to the Epiphany  
Steven Gary Blank

### Customer Creation:

Create end-user demand that drives that demand into the company's sales channel.

This step is placed AFTER customer validation to move heavy marketing spending AFTER the point where the startup acquires its first customers, allowing the company to control its cash burn rate.

Building a strong brand and heavy advertising only makes sense in markets where your customers understand your product or service.



# The Four Steps to the Epiphany



## Customer Creation

	Company Positioning	Product Positioning	Company Launch	Product Launch	Demand Creation Activities	Year One Objectives
<b>Existing Market</b>	Differentiation and credibility	Product differentiation	Credibility & delivery	Existing basis of competition	create drive demand into the sales channel	market share
<b>New Market</b>	Vision and innovation in th new market	Defining new the market, the need, the solution	credibility and innovation	market education, standards setting, and early adopters	customer education, drive early adopters into the sales channel	market adoption
<b>Resegment an existing Market</b>	segmentation and innovation	Redefining an existing market & product differentiation	segmentation, delivery and innovation	new basis of competition	educate users about what's changed in the market, drive demand into the sales channel	market reframing and new market share

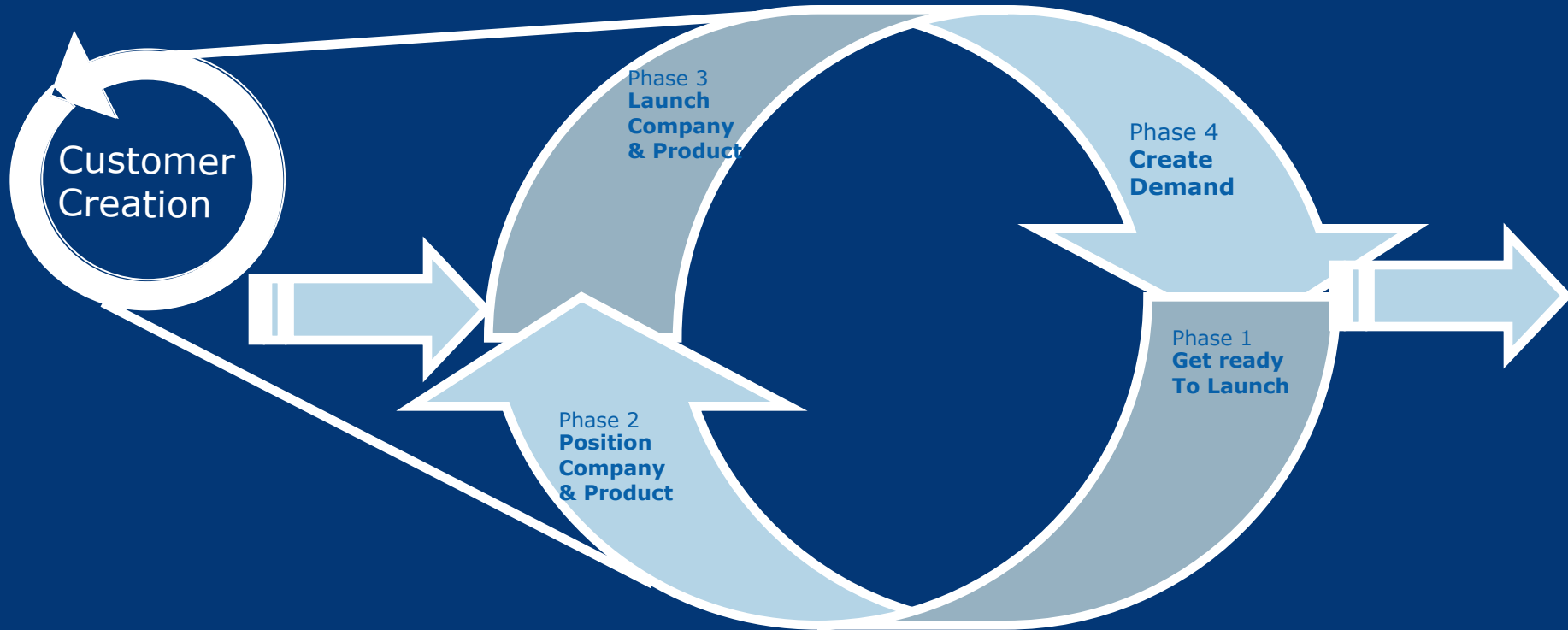
Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Creation



Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Creation  
Phase 1: Get ready to Launch



Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Creation  
Phase 1: Get ready to Launch



## Market Type Questionnaire:

**Customer Focus:** Does the Startup ?

- Understand the Business you are in ?
- Understand what you do ?
- Understand the top 3 problems you have ?
- Do you believe the startup's product will solve these problems ?

**Market Focus:**

- Are there other similar Product on the market ?
- ...

**Competition:**

...

**Positioning:**

...

**Trends:**

...

Source: The Four Steps to the Epiphany  
Steven Gary Blank





# The Four Steps to the Epiphany



Customer Creation  
Phase 1: Get ready to Launch



## Choose Market Type:

**Choosing the right Market Type can save you from making expensive errors.**

**For example if you are in a new market no amount of spending on demand creation and branding would create customers (remember WebVan!).**

**Equally important the revenue projections would be unrealistic.**

**Assess the risk attached to each market type:**

**Existing Market: dominance of competitors and resulting cost to enter the market**

**New Market: defining the new market in a way that aligns the user's perceptions of their problem and your solution.**

**Resegmented Market: a combination of the two above.**

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Creation  
Phase 1: Get ready to Launch



## Choose 1st Year Objectives:

**Now that the market type has been selected, you can define year one revenue, spending, market-share objectives for both customer creation and sales can be set.**

**Existing Market: take as much market-share as possible -> implications**

**New Market: create the market and get the adoption of this market accepted.**

**Resegmented Market: the difficulties of both of the above.**

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Creation

Phase 2: Position the Company and Market



## Select PR Agency:

**Customer Creation begins with thinking and planning (Strategy) rather than just spending on marketing communications (execution).**

**What the company needs now is help in strategic communications to:**

- **Position the company and its products**
- **Articulate its message and refine its audience**
- **Get industry influencers and messengers to communicate the company's message**

**You will need to evaluate the PR agency just as much as your customers. They need to understand your business and be able to „consult“ you rather than just scheduling press conferences.**

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Creation

Phase 2: Position the Company and Market



## Positioning Audits:

Before you spend money on positioning, you need to get some external facts with a market tool called „audit“.

An audit is an unbiased way of learning how others perceive your company and products.

You should gather information on: Recognition, Market Focus, Customer Focus, Product Focus, Positioning, Competition, Sales/Distribution, Strengths/Weaknesses, Trends, Acquisition Information....

Getting honest feedback may be a shock, but helps you close the perception gap and spend your comms budget wisely.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Creation

Phase 2: Position the Company and Market



## Positioning to Market type:

Existing Market: creating the notion that your company is both different and credible.

New Market: communicating a vision and a passion of what could be.

Resegmented Market: communicate the value of the market segment you have chosen and the innovation your company brings to it.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Creation

Phase 3: Launch the Company and Product



Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Creation

Phase 3: Launch the Company and Product



## Select Launch Type:

Existing Market: Onslaught Launch (full frontal assault on the market)

New Market: Early Adopter Launch (targeted low-cost approach, but to gain maximum mind share in those early adopters)

Resegmented Market: Niche Launch (puts all its demand creation effort into acquiring a single identifiable market segment and customer. Depending on the Niche you are choosing this could be handled as onslaught or early adopter Launch)

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Creation

Phase 3: Launch the Company and Product



## Select Customer audience:

Existing Market: the launch audience is the user or organization responsible for choosing (not necessarily using) the product

New Market: the launch audience consists of potential Earlyvangelists

Resegmented Market: the launch audience is the user or organization who will appreciate the segment you have chosen.

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Steven Gary Blank



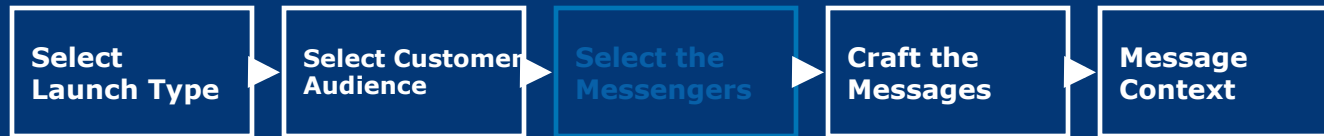


# The Four Steps to the Epiphany



Customer Creation

Phase 3: Launch the Company and Product



## Select the Messengers:

In order to communicate a new idea or product you only need to reach a few well placed and highly leveraged individuals called „Messengers“.

(Malcom Gladwell: *The Tipping Point*)

Messengers are very networked, they spread the news, others rely on their opinion.

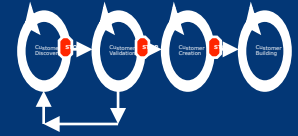
There are three types of Messengers your company needs to educate:

- Experts: These could be industry analysts, private research firms.
- Evangelists: your Earlyvangelists could be these
- Connectors: individuals who seem to know everyone, they can bridge across multiple worlds.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Creation

Phase 3: Launch the Company and Product



## Craft the Messages:

The messages you deliver at launch are the cumulative result of all the positioning work you have done to date.

Message need to be SHORT, memorable and „sticky“ and needs to immediately link your company to that message.

There are many greatly engineered advertisements that everyone remembers, but also for many of them you cannot remember for which company the advertisement was for...

Something like: „7 UP...the Un-Cola“ says what it is not and ties it to the brand.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Creation

Phase 3: Launch the Company and Product



## Message Context:

No Message is an Island !

All messages operate in context.

While you are releasing your message, hundreds of other messages from other companies are also being „aired“.

How can your message shine through that fog ? Stay memorable and „sticky“

Take the current economical, political and popular hot topics of today into account when crafting your messages. Maybe you can relate to one of them that lets your product and company „shine through the fog“.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Creation  
Phase 4: Create Demand



Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Creation  
Phase 4: Create Demand



## Demand Creation Strategy:

Select a strategy that matches First-Year Objectives

Existing Market: create qualified end-user demand and drive it into the sales channel

New Market: educate customers about the market and drive the early or niche adopters into the sales channel.

Resegmented Market: educate customers about the new benefits that resegmenting the market has created and drive demand into the sales channel.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Creation  
Phase 4: Create Demand



## Demand Creation Measurements:

Demand Creation budgets are the largest components of an ongoing marketing department.

The activities are also more „art“ than „science“ !! but they need to be honestly measured in their outcome and corrections taken when they fail, and some will fail.

Understanding where the cost per customer is cheapest is extremely valuable.

Also understanding where there are more customers to be had.

So a balance between scalability and cost efficiency can be met.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Creation  
Phase 4: Create Demand



## Iterate or Exit:

While at this stage the company is „off the ground“ delivering revenue, demand creation is driving end user demand into the sales channel, you might still want to loop back on some of the positioning you have done.

Maybe your customer creation is not giving you as many customers as you anticipated and only slightly changing some of your messaging could give you the bang that you wanted (Diet Beer, Light-Beer).

At the end decide if you should loop or Exit.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Customer Creation  
Phase 4: Create Demand



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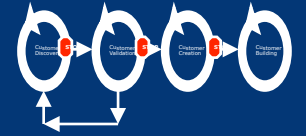
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Steven Gary Blank

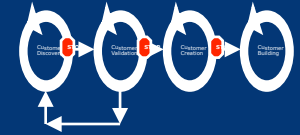




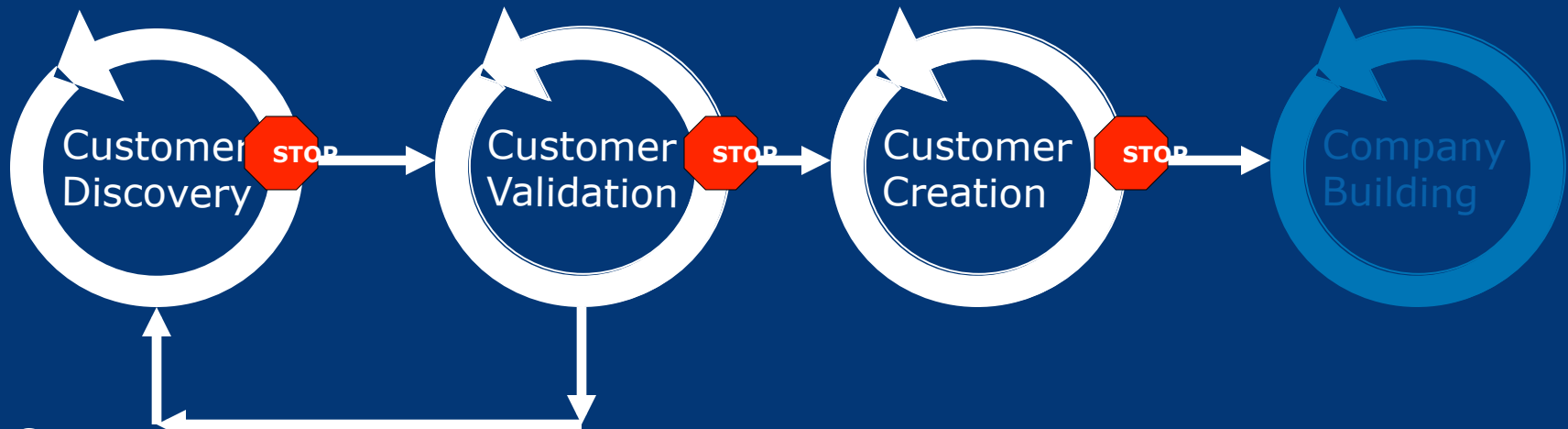
# The Four Steps to the Epiphany Company Building



# The Four Steps to the Epiphany



## The Customer Development Model



### Company Building:

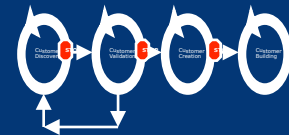
The company transitions from its informal, learning and discovery oriented customer development team into formal departments with VPs of Sales, Marketing and Business Development.

Premature scaling is the bane of startups.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



## Company Building

Now you are at a stage where you need to move from being a start-up to being a company with mainstream customers.

This evolution requires three actions:

- Build a mainstream customer base beyond the first Earlyvangelist customers
- Build the company's organization, management and culture to support greater scale.
- Create fast-response departments to sustain the climate of learning and discovery that got the company to this stage.

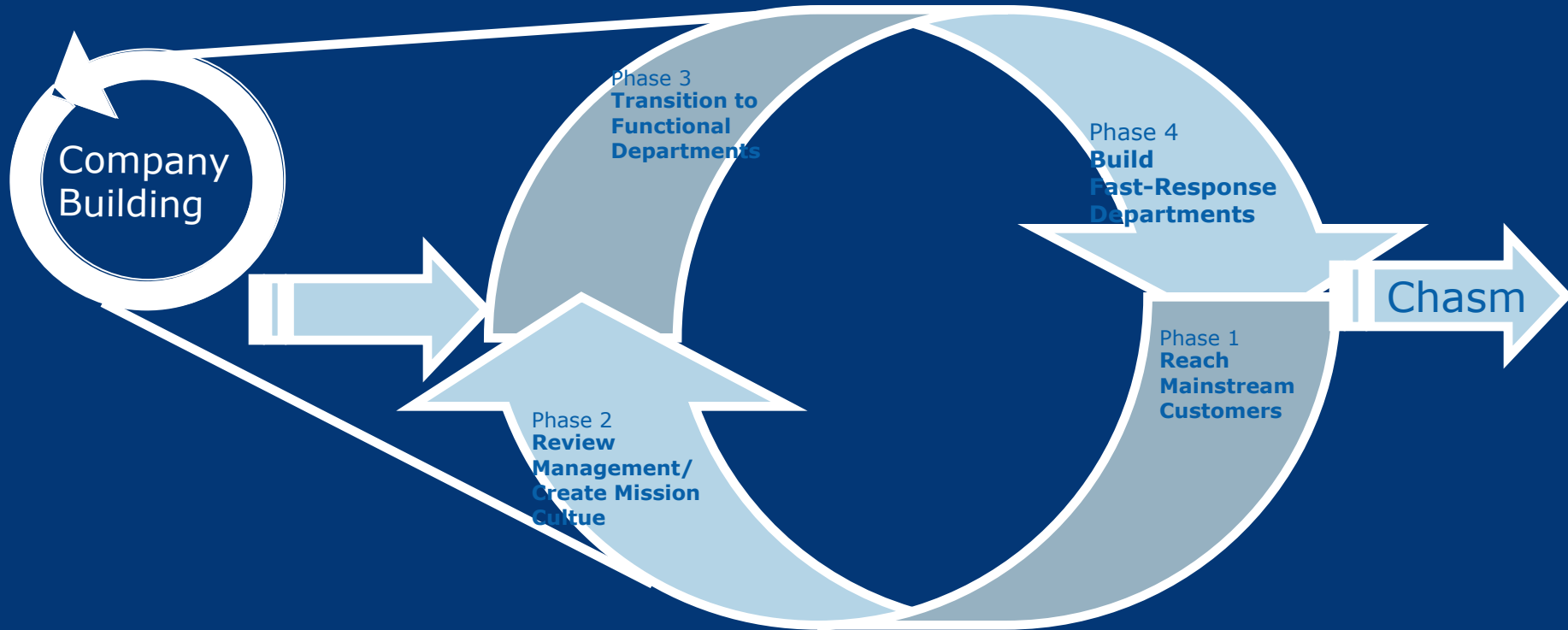
Source: The Four Steps to the Epiphany  
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# The Four Steps to the Epiphany



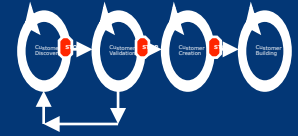
Company Building



Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Company Building  
Phase 1: Reach Mainstream Customers



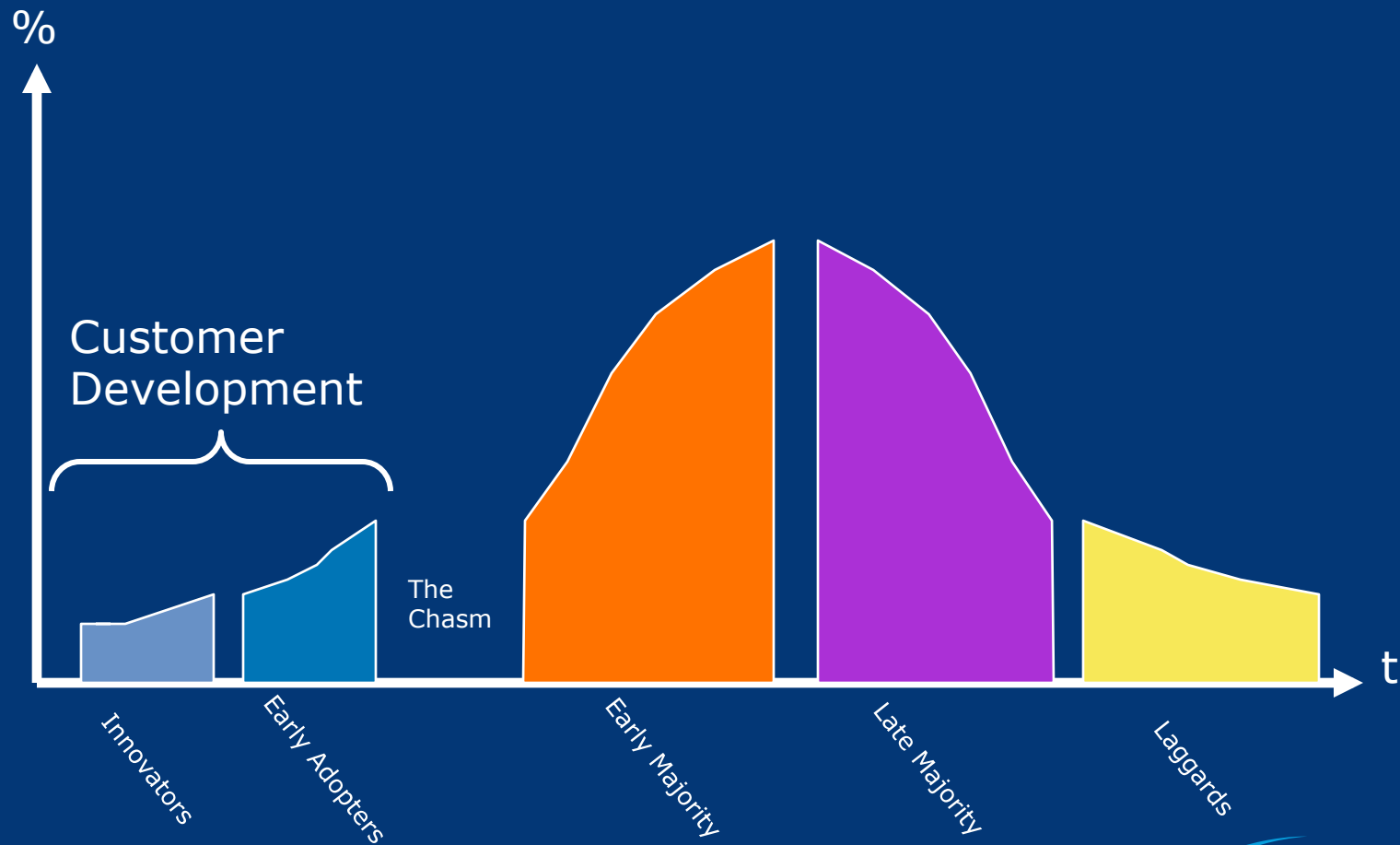
Understanding which market you are in helps  
You understand where and how much effort you will need to  
move from the Earlyvangelists to the Mainstream Customers.  
Also to estimate future sales and resulting cash flow its essential  
to approach sales growth with the realities of the market type.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



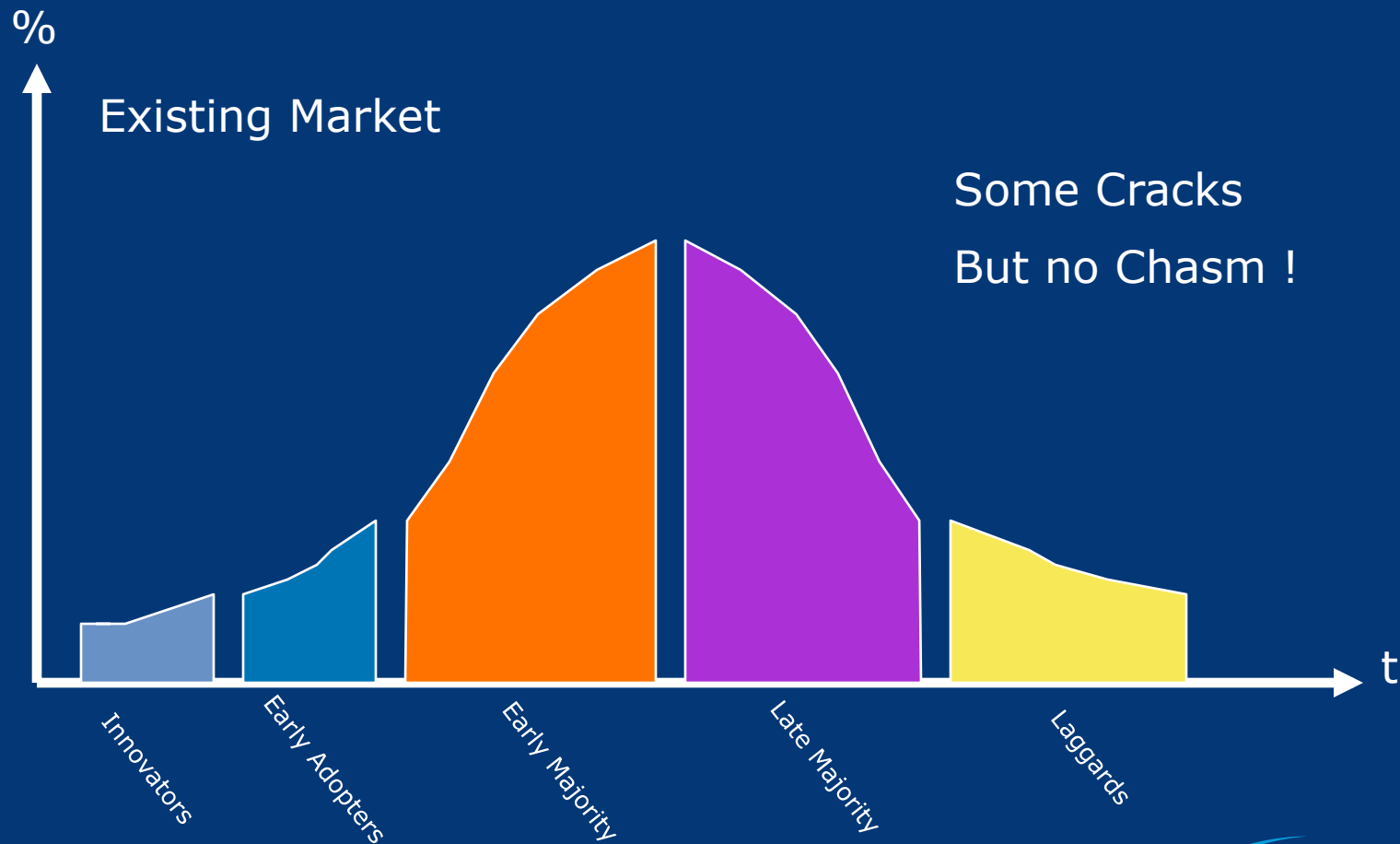
# Company Building

The (revised) Technology Lifecycle Adoption Curve



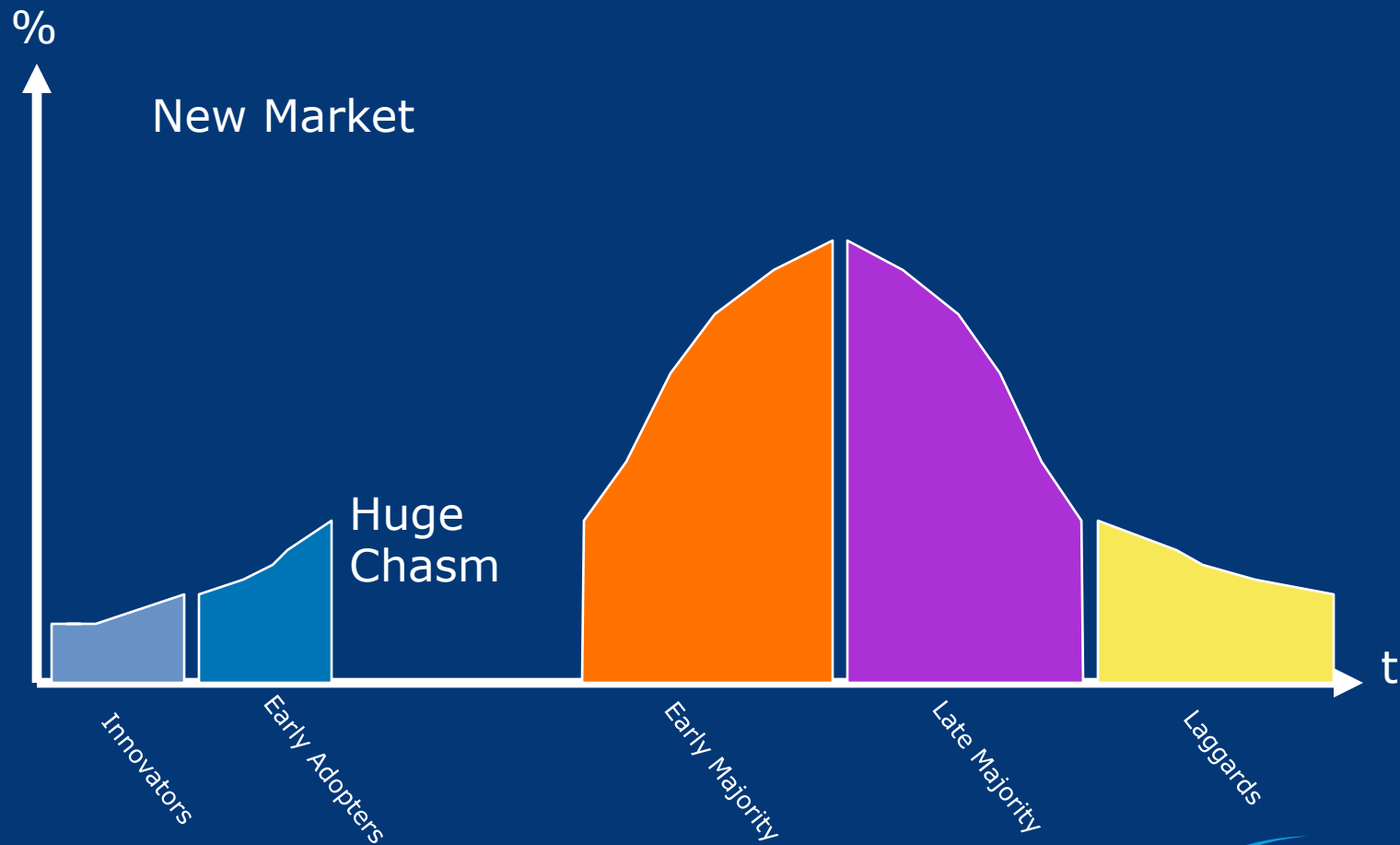
# Company Building

The (revised) Technology Lifecycle Adoption Curve



# Company Building

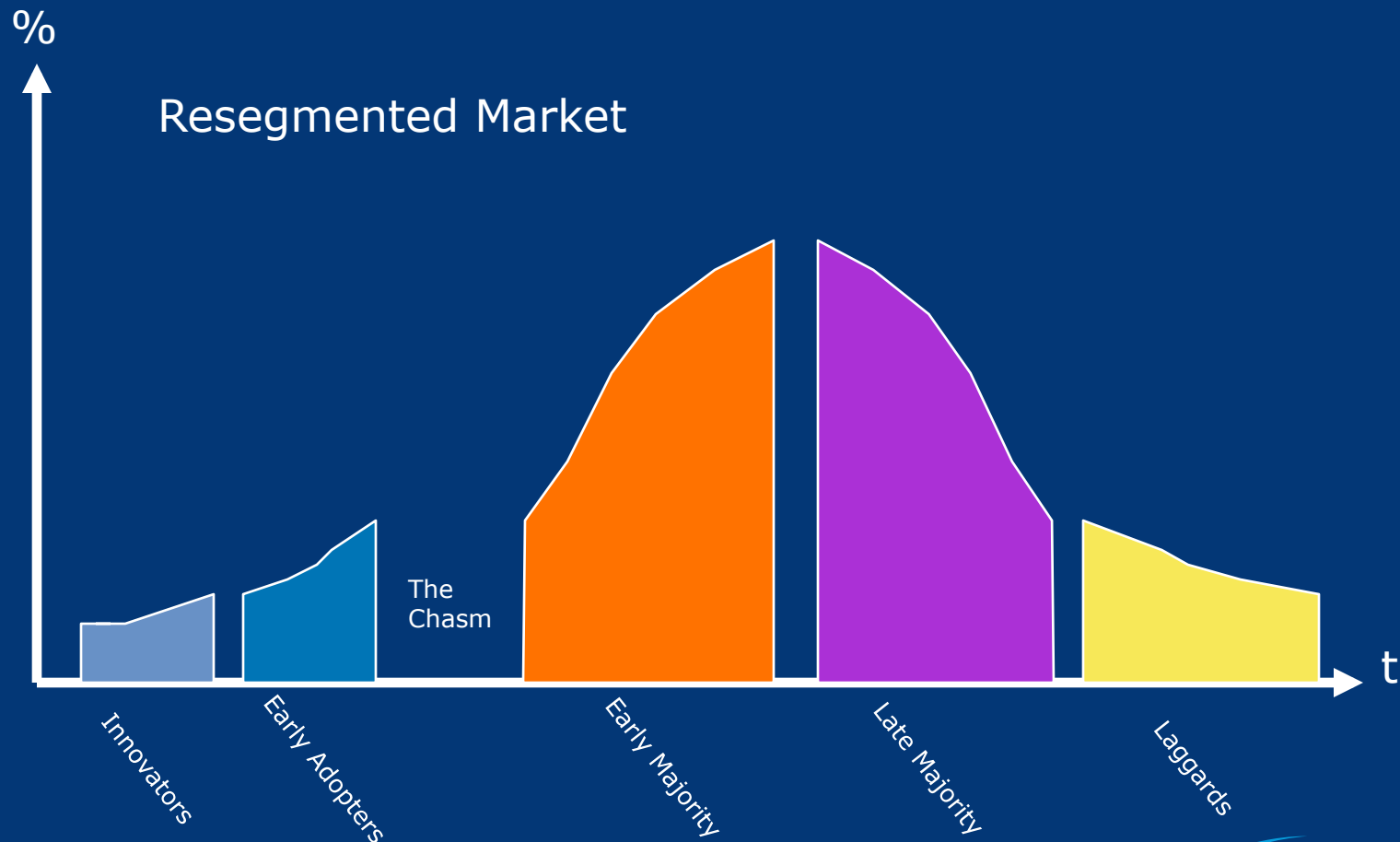
The (revised) Technology Lifecycle Adoption Curve





# Company Building

The (revised) Technology Lifecycle Adoption Curve

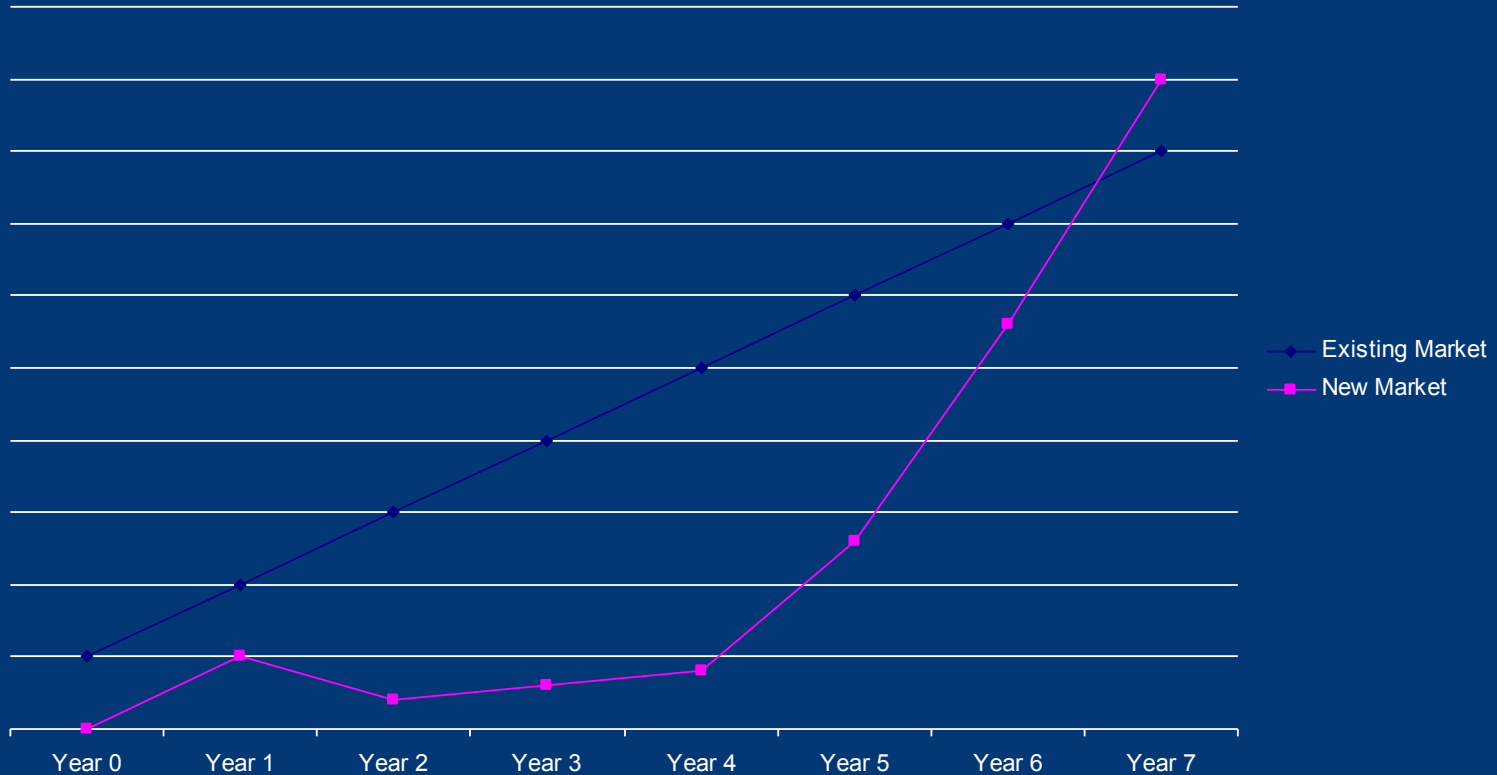


# The Four Steps to the Epiphany



## Company Building: Some Realities

New Market vs Existing Market



Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Company Building

Phase 2: Review Management / Create Mission Culture

Review  
Management

Develop  
Mission-Centric  
Culture

The Company board now has a good sense of what skills the CEO and executive team have as entrepreneurs. This evaluation though is not looking at what they have achieved, but forecasting what they are capable of in the future. These founding executives might have been the „superstars“ as individual contributors, the next phases of the company though need more a leader that is mission and goal driven.

So the very attributes that made these executives succesful at startup, might be the reason of their own dismissal by the board for future growth.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Company Building

Phase 2: Review Management / Create Mission Culture

Review  
Management

Develop  
Mission-Centric  
Culture

We have been focussing our attention towards customers.  
Have we communicated our Vision and gained buy-in by the board and the executive team ?

We need to sell the „Vision“ intenally just as effective as externally.  
The company is growing quickly, new people are joining almost every day.

We need to put that Vision to paper in a crisp way so that those joining can quickly comprehend and buy-in and own than Vision.

We need Vision and Mission statements. This aligns the Company.

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Company Building

Phase 4: Building Fast-Response Departments



## Mission-Centric Management has five unique parts:

1. Mission intention (the why you are doing things)  
10M\$ in sales make our cashflow breakeven and 45% make us profitable.
2. Employee initiative  
Success in a startup is about searching, finding exploiting opportunities.  
Employee initiative is part of their implicit employee contract.
3. Mutual trust and communication  
Good news should travel fast, bad news should travel even faster.  
Both executives and employees trust each other in executing their roles.
4. „Good enough“ decision making  
In general the company that consistantly makes and implements decisions rapidly gains a tremendous, often decisive competitive advantage.
5. Mission synchronization  
Synchronization Meetings now have three functions:
  1. Ensure that all departments still underatnd the corporate mission
  2. All department missions are mutually supportive
  3. CEO understands and approves the way each department will execute its mission.

Source: The Four Steps to the Epiphany  
Steven Gary Blank

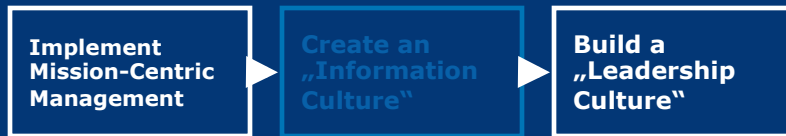


# The Four Steps to the Epiphany



Company Building

Phase 4: Building Fast-Response Departments



**Create an Information Culture:**

**Executives need three basic views of information to truly understand what is going on:**

- 1. First-hand knowledge**
- 2. An overall view**
- 3. The view from the eyes of customers and competitors**

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# The Four Steps to the Epiphany



Company Building

Phase 4: Building Fast-Response Departments



**Management is focussed on inspiring, guiding, and supporting committed employees and encouraging them to perform freely within set limits.**

**Do:**

**reward (informed) risk-taking**

**Learn to deligate (difficult as the company founder)**

**Reward initiative**

**Reward taking ownership**

**Don't:**

**micro-manage**

**Try to keep control of all**

Source: The Four Steps to the Epiphany  
Steven Gary Blank



# VC / Industry Q&A

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